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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Magna International Third Quarter 2017 Results Conference Call. (Operator Instructions) As a reminder, this call is being recorded, Thursday, November 9, 2017.

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

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

Thank you. Hello, everyone, and welcome to our third quarter 2017 conference call. Joining me today are Don Walker, Chief Executive Officer; Vince Galifi, Chief Financial Officer; and from Detroit, Swamy Kotagiri, Chief Technology Officer.

Yesterday, our Board of Directors met and approved our financial results for the third quarter ended September 30, 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 or 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 discussed are in U.S. dollars unless otherwise noted. We have 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 unusual items.

In the third quarter of 2017, we recorded additional restructuring charges at a European powertrain facility in which we initiated restructuring in the fourth quarter of 2016. This reduced EBIT and net income attributable to Magna each by $2 million and EPS by $0.01. There were no unusual items in the third quarter of 2016.

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

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

Thanks, Louis. Hello, everyone. Let me start off with some highlights from the third quarter. I was generally pleased with our record Q3 results, with some disappointment at GETRAG, and Vince is going to be taking you through those specifics.

We returned $521 million to shareholders in the form of share repurchases and dividends. Other highlights in the quarter include recent Magna activities in ADAS and autonomous driving, a new program award and joint venture associated with our vehicle electrification strategy. I'll highlight a few important Magna technologies in body systems and seating, and an update on Magna Steyr, of which there is significant launch activity going on.

Advanced driver assistance and autonomous driving continued to be top of mind for investors right now, and Magna has had a lot of activity in the area over the past couple of months. In August, we announced that we have made a strategic investment in Innoviz, a solid-state LiDAR developer. Innoviz's LiDAR can provide high-definition 3D real-time images of a vehicle's surrounding, regardless of changing light and weather conditions. This technology expands Magna's overall suite of level 3, 4 and 5 autonomous driving sensor solutions.

Our Magna Electronics Group also recently unveiled our MAX4 autonomous driving platform in Berlin in late August. MAX4 is a fully-integrated, customizable and scalable autonomous driving sensing and compute platform that can enable autonomy up to level 4 in both urban and highway environments. The platform combines radar, LiDAR and ultrasonic sensors that can be easily integrated with other automakers' existing and future platforms, which allows for a continued freedom of design and styling of their vehicles. Our exteriors team did the sensor integration on the MAX4 front- and rear-end modules, giving it a seamless appearance. This is an example of cross-group collaboration.

Lastly, we announced last month that we have joined BMW, Intel and Mobileye to help deliver a self-driving flexible vehicle platform by 2021. Magna joins the group as a Tier 1 technology integrator and will help automakers industrialize and customize the main controller designed by BMW, Intel and Mobileye and contribute expertise in the sensor suite. We have a lot of quoting activity ongoing in the ADAS area.

Another highly topical industry trend is vehicle and powertrain electrification. We are a leader amongst independent suppliers in 4-wheel drive, all-wheel drive systems, transmissions and [tops]. We have tremendous experience and expertise in bringing power to the wheels of vehicles equipped with a variety of powertrain configurations.

Back in 2009, we began development of, and later produced the electric motor and electric control module on the Ford Focus BEV and we played a key role in the engineering to integrate the electric propulsion system and other unique systems into the vehicle structure. In 2012, we began producing an electric rear axle drive on the Volvo V60 plug-in hybrid, which provides both a power-assist and all-wheel-drive traction to the vehicle. And last month, we announced the formation of an e-powertrain joint venture in China with HASCO, a subsidiary of SAIC Motor.

The joint venture will initially produce an integrated electric drive for a German automaker. Magna will have the responsibility for the design of the complete e-drive system, the manufacturing of the gears and shafts through Magna Powertrain, as well as the integrated inverter circuit through Magna Electronics. HASCO, one of the largest auto-parts companies in China, will manufacture motor components. Magna and HASCO will jointly manage the system assembly facility.

This e-drive award, together with the joint venture, positions us well in electrification in China. China is still expected to be an important growth market and they have been clear of both their intended leadership in bringing hybrid and electric vehicles to the market. So this business award is an important development for Magna. We also have a number of other business opportunities that we are currently quoting in the area of powertrain and electrification.

Other Magna product areas recently demonstrated strong market capabilities and technologies. For instance, we added capacity in the Southern U.S. in high-pressure, aluminum structural casting, a key lightweighting technology and one of our fastest-growing areas in metalforming. This capacity will support continued demand from global automakers for this important Magna capability. And we swept the awards at an automotive composites conference recently held by the Society of Plastic Engineers. The awards recognize outstanding innovations in the development and use of composites in the automotive industry.

Magna's carbon fiber subframe concept won for process innovation and our reclaimed carbon fiber body panel won the material innovation category. Both of these technologies showcase Magna's expertise in sustainable, recyclable and lightweighting.

We topped J.D. Power's Seat Quality and Satisfaction Study, with our seats ranking highest in 3 of 7 vehicle segments. In the luxury car segment, our seats on the Audi A3 not only won the category, but A3 owners expressed 0 problems per 100 cars sold with the seat.

Our Ford Escape seats also ranked highest in the mass market compact SUV/MPV segment. And our seats in the Ford Edge took the mass market medium/large SUV segment.

Topping the ranking in nearly half of the vehicle segments reflects our focus on delivering seats that are functional, comfortable and of the highest quality.

Finally, Magna Steyr continues to work through the launch of new programs in Graz. The BMW 5 Series has been ramping since March, and the launch of the program, including the plug-in hybrid, has been highly successful to date, with Magna Steyr's quality since SOP exceeding the targets set out by BMW.

The Jaguar E-PACE SUV began to launch late this past quarter and the Jaguar I-PACE BEV is set to launch early in 2019.

I'd like to commend the entire Magna Steyr team for their progress to date in launching these new programs. So overall, a lot of great things going on around Magna. And with that, I'll pass the call over to Vince.

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

Thanks, Don, and hello, everyone. Overall, we posted solid third quarter consolidated results in line with our internal expectations. Consolidated sales were $9.5 billion, a new third quarter record. Net income attributable to Magna was $505 million, up slightly from the third quarter of 2016. Diluted EPS from continuing operations was $1.37, also a third quarter record for us, up 6% and we returned $521 million to shareholders through share repurchases and dividends.

I'm going to cover each of these in my financial review. Consolidated sales increased 7% to $9.5 billion in Q3. This increase reflected higher European, Asian and Rest of World production sales, along with higher complete vehicle assembly and tooling sales, partially offset by lower North American production sales.

In North America, production sales fell 5% while North American vehicle production declined 7%. The lower vehicle production and the balance out of certain programs were partially offset by the launch of new programs and a $54 million increase due to the year-over-year strengthening of the Canadian dollar against the U.S. dollar. Organically, excluding foreign exchange movements, production sales declined 6%, less than the reduction in North American vehicle production.

In Europe, production sales increased 14% compared to Q3 of last year. The increase reflects higher volumes, as production was up 8% in Europe, as well as the launch of new programs, a $111 million net increase due to mostly stronger European currencies relative to the U.S. dollar, and acquisitions, which contributed $33 million to sales. These were partially offset by lower content on the MINI Countryman and Paceman compared to the previous model, which is assembled at Magna Steyr and on which we had substantial production content.

Organically, excluding FX movements and acquisitions, our production sales grew 8%, in line with vehicle production. We expect to see a reacceleration of our production sales outperformance compared to vehicle production in the fourth quarter in Europe.

Complete vehicle assembly sales increased 55%, mainly reflecting the launch of the BMW 5 Series, which began in March, and followed the end of production of the MINI programs in Q4 of 2016. You should note that the MINI programs had a lower average unit selling price compared to the 5 Series.

Our complete vehicle assembly volumes were up 13% in Q3 2017 compared to Q3 of '16. Assembly volumes and sales will continue to ramp up in the fourth quarter as the Jaguar E-PACE SUV just launched in the third quarter of 2017.

Asia production sales increased 5% in Q3, primarily reflecting the launch of new programs in China and higher volumes in certain existing programs. We've been experiencing significant organic sales growth outperformance of vehicle production for a long time in Asia. The second half of 2017 happens to be a lull in this outperformance. However, our unconsolidated sales in Asia grew approximately 54% year-over-year in Q3 of 2017.

Rest of World production sales increased 31% year-over-year, reflecting higher production volumes, the launch of new programs and customer price increases. These were partially offset by a divestiture that impacted sales by $9 million. Organic growth in this segment was 40% compared to 30% vehicle production growth in South America. Lastly, tooling sales increased 35% in the quarter.

Adjusted EBIT margin declined to 7.3% in the third quarter of 2017, essentially in line with our expectations, compared to 8.1% in Q3 of '16. The lower EBIT margin percent largely reflects reduced margins on our complete vehicle assembly sales, primarily due both to launch costs on the Jaguar E-PACE and lower margins earned on assembly programs during the third quarter of '17 compared to Q3 last year; a higher proportion of tooling sales, which has a higher-than-average material and labor content; geographic mix, with a higher relative proportion of lower-margin European production sales and a lower relative proportion of higher-margin North American production sales; higher launch and new facility costs; lower equity income, substantially at our GETRAG joint ventures, which I will comment on later; operational inefficiencies incurred at our body and chassis facility in Europe; and higher commodity costs. These were partially offset by generally higher margins at certain manufacturing facilities, including through net productivity and efficiency improvements and higher recoveries associated with scrap steel.

I'm going to briefly comment now on margins at our reporting segments. Our North American adjusted EBIT margin percent declined from 10% to 9.5%, largely due to the lower sales driven by the lower vehicle production and lower equity income, also which was mainly related to lower sales. These were partially offset by higher recoveries associated with scrap steel, less warranty expense, lower amounts of employee profit-sharing, and lower foreign exchange losses.

European margins declined in Q3, as anticipated, to 2.9% compared to 3.7% in Q3 of '16. Excluding the insurance recovery in 2016, the margin decline was 0.3%, from 3.2% to 2.9%. This was largely the result of reduced earnings of complete vehicle assembly sales, primarily due to launch costs relating to the Jaguar E-PACE and lower margins earned on assembly programs during the third quarter of 2017 compared to programs in Q3 of last year; lower equity income, all at GETRAG; higher launch costs at other facilities; higher commodity costs; operational inefficiencies incurred at a body and chassis facility in Europe; and higher new facility cost. These factors were partially offset by generally higher margins at certain manufacturing facilities, including GETRAG's wholly-owned operations and net productivity and efficiency improvements.

Asian margins were strong again in Q3, 11.4% compared to 9.8% last year, primarily as a result of higher equity income including at GETRAG's unconsolidated JVs, driven by higher unconsolidated sales and generally higher margins at certain manufacturing facilities, including through net productivity and efficiency improvements. In our Rest of World segment, adjusted EBIT was $14 million for the fourth quarter compared to a loss of $5 million in Q3 of '16. This improvement reflects customer price increases as well as margins earned on higher sales.

Now let me give you an update on GETRAG. The current slide on the webcast presentation summarizes our GETRAG entities. In total, our consolidated operations performed in line with expectations in Q3 and are expected to do so as well in Q4.

In China, our 2 joint ventures together experienced year-over-year sales and earnings growth in Q3 and the same is expected in Q4. In addition, Q4 is expected to be better than Q3 2017 in unconsolidated sales and equity income in China. However, the rate of growth for Q3 and Q4 at one of these joint ventures is less than our previous expectations, largely driven by lower volumes for a number of programs with customers. Versus prior expectations, this resulted in lower equity income than previously anticipated of about $10 million in Asia in Q3, and we expect about $10 million lower equity income again for Q4.

In Europe, we experienced challenges in 2 joint venture plants, one being volume-related, the other launch-related. We expect that lower volumes will continue to negatively impact the one plant. In the other, while we believe the launch-related challenges are largely behind us, some excess launch costs are expected to be incurred in Q4, albeit at a lower level than Q3.

Equity income from the GETRAG European joint venture was about $10 million lower in Q3 and is expected to be about $10 million lower in Q4, each relative to our previous expectations.

Even considering these updates, we continue to expect GETRAG as a whole to earn more in Q4 than in any previous quarter this year, and we continue to expect GETRAG to be accretive to earnings this year.

Now let me give you a brief update on GETRAG post-2017. We are early in our business planning process, however, we're seeing GETRAG's consolidated sales in line with our previous expectations, but are anticipating some softening associated with GETRAG's unconsolidated sales over the next couple of years compared to our expectations from earlier this year. Some of this softening relates to a market shift from manual transmissions to automatics. While we are expecting some offsetting benefit from this shift in the form of higher DCT sales in certain programs, the shift from manual is expected to be a net negative to our volumes and sales, in particular for 2 of our JVs, 1 in Europe and 1 in China.

Additionally, some of the softening relates to certain customer growth plans now being forecasted lower than previously expected, and the largest portion of potential softening relates to a particular Chinese customer that has been adding internal DCT capacity to support considerable expected future growth. This was known to us. However, the customer has added capacity at a quicker pace than we anticipated, and at the same time, its growth expectations have softened somewhat, resulting in a lower future volume allocation to our joint venture operation. Discussions are ongoing with this customer and we will continue to work through this over the next few months.

Regardless of the lower than previously anticipated unconsolidated sales, we still expect significant growth in GETRAG's business over the next few years, which should drive increased year-over-year earnings contributions from GETRAG over this period.

Our effective tax rate was 23.5% this quarter versus 25.7% in Q3 of '16. The decline reflects the utilization of losses previously not benefited in Canada and South America, and the change in our reserves for uncertain tax positions. These factors were partially offset by a decrease in equity income.

Net income attributable to Magna was $505 million compared to $503 million in 2016. Diluted earnings per share was $1.37 for the quarter compared to $1.29 last year. In addition to higher net income, the increase reflects the 5% decline in shares outstanding, largely due to our share repurchases.

I'll now review our cash flows and investment activities. During the third quarter of 2017, we generated $881 million in cash from operations prior to changes in noncash operating assets and liabilities, including $22 million in noncash operating assets and liabilities. In the quarter, investment activities amounted to $537 million, including $379 million in fixed assets and a $158 million increase in investments, other assets and intangibles. Free cash flow was $415 million in the third quarter, bringing us to $616 million year-to-date. We continue to expect free cash flow in the $600 million to $800 million range for Q4, bringing us to the $1.2 billion to $1.4 billion range for 2017.

In addition, we paid $99 million in dividends and repurchased 8.7 million common shares for $422 million in the third quarter. Including shares repurchased subsequent to September 30, we have repurchased 23.2 million common shares for over $1.1 billion so far in 2017.

We announced today that our board approved, subject to approval by the Toronto and New York Stock Exchanges, a new normal course issuer bid to purchase up to 35.8 million of our common shares. This new bid would expire in November of 2018.

Earlier today, we updated our 2017 outlook. We reduced North American production expectations by about 200,000 units to 17.2 million units, primarily reflecting the softer than expected Q3 production. We increased European production by about 100,000 units to 22.2 million units, substantially reflecting the strong Q3 production. We reduced and tightened our North American production sales range, largely reflecting lower North American production, partially offset by the anticipated stronger Canadian dollar relative to the U.S. dollar.

We narrowed and increased our European production sales range, primarily reflecting the higher production volumes and the higher euro than our previous outlook. We tightened Asian production sales to $2.3 billion to $2.4 billion and slightly increased Rest of World production sales, reflecting continuing strengthening vehicle production in South America.

Lastly, we narrowed and increased our assembly sales range compared to our previous range, largely reflecting the higher anticipated euro. As a result of the above, the midpoint of our total sales range is expected to increase by about $350 million to $38.3 billion to $39.5 billion range. Even the low end of that range would represent record annual sales for Magna.

Our EBIT margin outlook has been tightened to the 8% to 8.1% range, down slightly at the midpoint from our previous outlook, reflecting the decline in equity income versus our previous expectations. Our interest expense outlook is lower to approximately $70 million and our tax rate expectation is unchanged from our previous outlook at about 25%.

Capital spending is now expected to be approximately $1.9 billion compared to the $1.9 billion to $2 billion range previously. This is due to our continued focus on capital spending discipline.

We made one change to our segment EBIT expectations. We moved our Rest of World expectations up to a modest profit for 2017 compared to approximately breakeven in our previous outlook. All other segment adjusted EBIT margin percentages remain the same as our previous outlook: Approximately 10% in North America; approximately 4% in Europe; and 12%-plus percent in Asia.

In summary, in Q3, we set a new third quarter sales record for Magna, along with a third quarter record for diluted earnings per share from continuing operations. We returned $521 million to shareholders in the quarter and continued buying back stock post quarter. We maintained our 2017 free cash flow expectations of $1.2 billion to $1.4 billion, and we have a lot of positive traction across a number of product areas, particularly pertaining to autonomous driving and electrification.

Thanks for your attention this morning. We're now pleased to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Ryan Brinkman of JPMorgan.

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

This is Samik on for Ryan Brinkman. The first question I have, I just wanted to get a bit more details about when we look at the -- you don't disclose the backlog number, but when we look at the different segments, has your expectation changed as you sort of talk with your customers regularly, in terms of what the backlog of orders would look like relative to ADAS and electrified drive trains and powertrain products, relative to the traditional product segments like seating, et cetera?

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

Samik, we're in the middle of kind of doing our final touches on our business plan, and we'll be updating that in January. A couple of things to note, I think if you look at where we think North America production is going to be over the next several years and compare that to where we were in January, we're probably going to be a little lower than our previous expectations. So that's going to have some impact, everything else being the same. Foreign exchange rates have moved around. We've been winning business, and some business may have been pulled forward, some may have been deferred a bit. So we're just still wrapping it up, so I don't have the color right now to give you. The only color I could give during my commentary, in particular related to GETRAG, and I think my comments were pretty clear on kind of where we see, at least in the shorter term, that business going over the next couple of years. But having said that, even as I look at GETRAG post kind of the next couple of years, we're excited with some of the new business awards that we have been awarded in the course of this year.

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

Yes, it's Don here. We'll update this when we get our outlook in January. I think some of the -- the penetration rate of some of the awards in terms of ADAS, I think they are going to continue, but some of them are being delayed to where the market would have said they were going to be coming in.

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

Got it. And just to -- second question, final question on Asia. You've been seeing strong revenue growth in our performance to the industry as well as strong margin gains over the last few years. And this quarter, the margin came in at 11.4%. I think your 2019 target is 12%. But if you can sort of share your thoughts on what you think long-term margins might look like in that business? Because it seems that you would go past your 2019 target quite early, relative to your plan.

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

I think you can't look at Asia in a particular quarter and say we're -- we came in at 11%-plus in the quarter. If you look at our overall guidance for Asia, it remains unchanged from our previous expectation and current expectations. I think as you look at the Asian market, we still have capacity that will continue to fill, as we're ramping up programs, I think, in places like India, for example, we're ramping up programs. And even in China, we're continuing to fill up plants. So that's just contributing overall to some margin expansion. And equity income is expected to grow at GETRAG, as I stated in my overall comments. Again, as we get through our business plan, we'll give you a little bit more color come January when we talk about our outlook.

Operator

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

Aileen Elizabeth Smith - *BofA Merrill Lynch, Research Division - Analyst*

This is Aileen Smith on for John. Don, can you talk a bit about the joint venture announcement with HASCO in China? Obviously, the new award for the e-drive system with the German OEM is notable, but is it fair to assume that this JV and the electrified powertrain products that you're going to be offering, in addition to a continued ramping of GETRAG in China, might also help in gaining a greater foothold with the domestic Chinese OEMs?

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

Yes, certainly, we expect it will. Part of the reason we did the joint venture is because our partner, number one, has some good technical capability that complements what we have. But the clear intention is to, once we get the capacity in place and we've got the technology over there, that we're going to continue to offer that to other OEMs. And certainly, the interest in the -- in all customers, including the Chinese-based OEMs, for this type of solution is really high. So we would expect that we will continue to grow the joint venture.

Aileen Elizabeth Smith - *BofA Merrill Lynch, Research Division - Analyst*

Great, that's helpful. And then Vince, if we back into the 4Q North American production sales outlook implied by your full year sales guide, we're getting to an implied year-over-year change of down about 8% to a little better than flat year-over-year, which I think compares to IHS' latest North American production forecast, down about 3% in the quarter. You guys have been pretty consistently growing above market. So is there some element of conservatism in that outlook? Or something more core, like product launch timing, or any exogenous factors that we should be thinking about?

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

I think it's just related to programs in the quarter. You can't look at one quarter and focus too much on it. Certainly, the Minivan is a big program for us, always has been. And we do see some downtime, and it was all planned downtime, for the Minivan in Q4. So I think it's just mix of programs, it was nothing out of the ordinary.

Operator

Our next question comes from the line of Mark Neville from Scotiabank.

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

I appreciate all the color on GETRAG, but I guess I'm just trying to wrap my head around sort of order of magnitude, or sense of magnitude for, I guess, longer-term impacts from these things. I believe you used to or you were sort of guiding to a $6 billion-ish of total sales by, I believe, 2019, if I'm not mistaken. So again, I don't know if you can update that number or sort of ballpark where you think or if maybe it's still close to that range, sort of longer term?

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

Mark, I think if you look kind of longer term, we've been talking about kind of 3 years out previously in GETRAG, I think if you look longer term, we're going to still get to the same number and exceed that, because we continue to win business. I think what's going to set us back a little bit in terms of a ramp-up of the sales is what I talked about on the call regarding -- as I look at an acceleration of insourcing of a DCT transmission by one of our Chinese customers. We're still currently in discussions with the customer in terms of exactly what that's going to be in terms of volume shortfall. So I'm not in a position, really, to comment how far off we're going to be off that $6 billion mark. But we're very, very confident that sales are going to continue to grow off today's base in GETRAG. Again, as for future business plan, I'm not sure whether we're going to -- hopefully, we'll conclude our discussions with our customer, but certainly, we'll have more information and more up-to-date information for you come January.

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

Okay, and was that $6 billion 2019 or 2020? Just from my memory.

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

2019.

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

2019, okay. And I guess, just in terms of short-term profit impacts, again, I guess for the back half, it sounded like [5] basis...

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

Mark, sorry, let me just comment on another thing there. There's really -- there's sales, and there's also what would be the impact to income. And what's the income to capital. So if sales are going to be off, there is capital that's going to go in. So we're going to cut back on capital, launch costs are going to be less. So the overall impact on income is not just decremental margin. So that's what we're in the middle of trying to just determine where the sales going, what's the impact on capital, what happens to start-up cost, what happens to margins and so on. So that's why we're not able at this point to give you a little bit more color on that.

Operator

Our next question comes from the line of Brett Hoselton of KeyBanc.

Brett David Hoselton - *KeyBanc Capital Markets Inc., Research Division - MD and Equity Research Analyst*

So in the years that I've covered you, it seems like people underestimate your technological capabilities, and I was hoping you could speak to, first of all, autonomous. Can you -- and since we've got Swamy there, can you talk to how does your autonomous capabilities, do you feel, compare to maybe some of the other leaders in the industry, like an Autoliv or a Delphi or a Continental or a Bosch? How would you compare maybe the number -- amount of revenue, your expertise in the area of sensing or thinking or acting, let's say?

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

Swamy, do you want to handle that one?

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

Yes, I think you kind of categorized it well. We were and we are leaders in terms of the vision-based ADAS systems, but not to just constrain only to the vision-based stuff. We provide systems today in production which handle a lot of fusion and also the thinking part, as you said, a different way, in sort of, I call it the ECUs, or in the future, some refer to it as domain controllers. And so in terms of the software, in terms of the sensor suite, in terms of the fusion, we believe we're addressing the market, and it kind of shows in the revenue part, in the number of programs we have. We continue to fortify the sensor suite part of it. As Don mentioned, our partnership with Innoviz on the solid-state LiDAR, I think we're not able to give a lot of details, but you will pretty soon see our product in terms of a high-definition radar, which actually is a digital radar with imaging capability. So with that said, I think we're able to address the future requirement that will enable autonomy level 2 and 3. And if you look at some of the initiatives we are doing, like the MAX4, again, that Don mentioned, that we are going through the urban and the highway environment for level 4, is a technology platforms that takes the sensor suite, our domain controller with the flexible architecture that can scale both ways. So level 2 and level 4 and level 5. So with all of this, we are able to address the market needs today, but we're also kind of pushing the limits on where the technology needs to be for level 4 and level 5.

Operator

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

Peter Sklar - *BMO Capital Markets Equity Research - Analyst*

Vince, do you mind repeating the -- on GETRAG, the factors that have caused the $10 million shortcoming in Europe equity income in the third quarter? And I believe you're saying you're expecting that shortfall versus your prior expectation in the fourth quarter? Can you just go through that again?

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

Sure, I'll go through that again. So in -- so just to start off, Peter, when we look at what we consolidate in GETRAG, because we do have some consolidated sales and consolidated operations, they're on track. And we expect that to be the case as well in Q4. When we look at our equity-accounted investments, so we've got Europe and we have Asia. In Europe, we have a couple of facilities. And of the 2 facilities, in one of the facilities, we incurred unplanned and excess launch-related costs in the third quarter. When you look at that facility, the program actually launched in the second quarter of 2017, but as the program started to ramp up and we fell a little bit behind and incurred some launch inefficiencies, downtime and so on and so on. We've made progress in ramping up over the past 2 months. We're still incurring some of the excess launch costs. But we think that's all behind us. But Q4 will be negatively impacted again by these launch-related costs, but to a lesser extent than Q3. At another -- the other equity-accounted facility in Europe, we talked last quarter about volume shortfalls in a particular customer program, that continues to be the case. The customer's vehicle has not been selling well. It's been short of customer expectations, which impacts the demand for transmissions. Volumes continue to be lower than anticipated, so that's going to have a negative impact as well on Q4. So when we just look at Europe alone, compared to kind of where our expectations were at the end of Q2, on the equity income line, we're about $10 million off in Q3, and we're expecting to be about $10 million off our Q2 expectation as well in Q4. So what impacted us in Q3 was launch and volume. What impacts us in Q4 is launch to a lesser extent, but also volume. Now when we come to Asia, we have a couple of joint ventures in Asia. One is ramping up and it's on track, the other one, which does have ongoing business and profitability, we saw some volume deterioration in Q3, and we expect that volume deterioration as well in Q4. And it relates to not only one customer, but a number of customer volumes, including the one customer that is impacting us in Europe.

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

Relative to expectations.

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

Relative to expectations. So as we look at kind of where we ended up in Q3 in the joint ventures in Asia compared to Q2 expectations, we're off about $10 million. And we expect in Q4 compared again to Q2 expectations, to be off about $10 million on the equity income line. Having said all that, we continue to see in Asia, continued growth in sales and equity income, Q4 versus Q3. And as I look at GETRAG as a whole, our Q4 numbers are expected to be the strongest than any quarter this year, which is kind of -- it's consistent with what we've been talking about, this U-shape situation in GETRAG, where Q1 was strong, we're going to incur additional launch costs in Q3 as programs were ramping up and then Q4 was going to come in stronger again. It's the same U-shape, the trajectory has changed a little bit, but we've still got that U-shape in our results for GETRAG.

Peter Sklar - *BMO Capital Markets Equity Research - Analyst*

Okay. And then the China program that's being insourced, that -- so that's one of the reasons that accounts for the volume deterioration at the second China joint venture? Is that correct?

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

No, Peter, I think that you should think about that impacting us later on in '18 and '19 as opposed to any significant impact to '17.

Peter Sklar - *BMO Capital Markets Equity Research - Analyst*

Okay. So you haven't felt that yet?

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

It's insignificant at this point, Peter.

Peter Sklar - *BMO Capital Markets Equity Research - Analyst*

Okay, and then one more question, just on a different topic. Regarding all of the NAFTA negotiations and regarding the proposed tax changes in the U.S., just wondering if any of that discussion has caused your OEM customers to change their behavior in terms of where they want you to invest capital? Or has that caused Magna on its own initiative to change your thinking on where you're deploying capital?

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

No, I don't think we've seen anything yet. I think the whole situation on NAFTA is still up in the air. Lots of discussion in the industry, and you're aware of what's happening at the government level. We've been fairly engaged in those discussions as well. I think anybody that is contemplating any big investments over the long term is probably either waiting or they're going to be biased to invest more in the U.S. until there's an outcome here. I can't think of any changes we have made at this point in time. I'm just trying to think -- none that I'm aware of, but I think everybody's just waiting to see what's going to happen.

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

Peter, on the tax changes which were announced kind of last week, and it's pretty fluid at this time, but the proposed changes, if they get enacted, result in a lower corporate income tax rate. We're profitable in the U.S., so that's going to be a plus for us. If they accelerate the ability to write off excess, assuming we're investing capital, so that should be a plus from a cash flow perspective. It doesn't really do anything from an effective tax rate perspective, but certainly, from a cash flow perspective, it helps here. In terms of interest deductibility and whether that impacts or not, we're going to get our heads around that. That may be neutral to a little bit negative. And there's also been some discussion about purchasing goods or services from a non-U.S. affiliate and whether there is an excise tax on that. That's pretty fluid as well. We're looking at that. That could be, depending on what happens there, a slight negative. But our internal people, even with everything they are looking at, their view is what's on the table now is a big plus to -- or it's not big plus, it's a plus to overall Magna's profitability. But it's still pretty fluid and our guys are looking at it. And as we get further clarity, we can give you some comments on the impact that, that could have on our bottom line results.

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

You didn't ask, the other thing we're waiting to see is what happens with Bill 148 in Ontario. Not quite sure what the government is trying to accomplish, so we're just waiting to see -- get some clarity on what they do and whether that impacts the productivity that we'd be able to see, and our costs in Canada. So I think we're waiting to see what happens in a few areas. But we're not really making any different decisions right now.

Operator

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

Michael W. Glen - *Macquarie Research - Analyst*

When you talked about the GETRAG, you referenced the customer has done an acceleration in the insourcing, is this -- are you seeing this -- is this a potential in any other parts of the JVs, do you think? Or why -- can you give some reasoning why they have stepped up that acceleration on the insourcing?

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

Yes, I think if you look at the DCTs in general, dual-clutch transmissions, or you can call them automatic transmissions, words that are sort of used the same, the volume and the penetration rates are expected to continue to go up. So every OEM will make a decision on every part of the vehicle, quite frankly, what they want to do internally, what they want to buy outside. Designing, developing, launching a transmission is pretty expensive. One customer decided a while ago that they wanted to have some internal capabilities. So a combination of the speed which they're bringing it up, and the fact that their volumes are down a little bit, is allowing them to project to do more in-house. So I don't see it in any other area at this point in time. But it's not unusual. We're still trying to see which car companies are going to build various portions of the future e-drives in-house or whether they'll buy on the outside and they all have their own strategies.

Michael W. Glen - *Macquarie Research - Analyst*

Okay. And if we're looking at that business, the powertrain business as a whole longer term, you guys did a recent presentation talking about some of the technology embedded within that powertrain business. Is there a way to, if we're looking at that business, say 5 years out, think about how that business may split across, say, traditional transmissions and with some of the stuff that's more exposed on the EV or hybrid electric side, from a sales perspective?

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

Yes, we'll update in January what our expectations are for penetration rates, probably in 2 areas. One will be the penetration rates in various levels of autonomous driving. We showed that chart back in August, and we're going to continue to update that. We're also going to be updating what our belief will be in various forms of electrification of the powertrain, up to and including complete EVs. We're seeing numbers all over the map, quite frankly, in people's opinions. What we're trying to do is get a consensus of our customers, outside analysts, people that are pretty intimately knowledgeable. I still personally think the penetration rate of pure EVs will be maybe a little bit higher than what we had anticipated before or what we said, but we're going to update it. I don't think it's going to continue or penetrate as fast as many people believe it will. I do think that the penetration rate of hybrids will probably increase, based on a number of different -- a number of different factors. But we'll update that. And it's a moving target. A lot of it depends on legislation and what's happening with gas prices and it goes on and on, so we'll continue to update that.

Michael W. Glen - *Macquarie Research - Analyst*

Okay. And then in prior calls, you had alluded to maybe some -- I don't know the exact timing of something like this, but maybe some changes in your reporting structure or changes in some information that you disclose, to provide us with more insight into some of these parts of your business. Do you have anything else to -- do you have any updates there at all?

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

Mike, just a quick update. We continue to work through that, and actually, talked to our Audit Committee and the full board yesterday in terms of where we're heading. So you should expect as we give guidance in January, that it will be based more on a segment -- product segment basis compared to geographic basis. So that's coming. We're -- we've got to work through the business plans and get the information. And that process, certainly, from a segment reporting standpoint, has got to match what we're doing from a Magna perspective as well (inaudible).

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

I'll add one thing. I think some people are aware of this, but just -- depending on, you asked the question about the penetration rates and what's happening on electrification in powertrains, we have outlined before and we'll probably update that again next year, that if you look at our, the potential dollar content for Magna, when we get into hybrid vehicles, is actually higher than traditional. And that's the area we expect to continue to penetrate. But obviously, it depends on how much we win. But there's more dollar content in hybrid powertrains. So hopefully, it's an opportunity for anybody who's got the right technology.

Operator

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

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

I wanted to just touch base on autonomous. Delphi said last week said that there's a lot of OE interest at the level 3, level 3-plus area, and from OEMs currently. Are you seeing something similar? And Swamy, if you can comment, just on incremental content there and how you see it progressing right now in terms of bidding and quoting activity on that front?

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

On the level 3 autonomy, Rich, I think you are right, there seems to be an increasing interest, depending upon the definition, whether they call it level 2-plus or level 3. But the building blocks are pretty much similar in terms of being able to address level 3. It's more the redundance aspect that you have to address. And the other thing that you're looking at is an extended capability of certain sensors, so whether it is a range in the resolution of the radar or a camera, and so on and so forth. So yes, we see a lot of activity going in that direction. So you see some features that are being added to level 2. And depending on the definition, you can call it level 2-plus or level 3. And we are actively participating in most of those inquiries or initiatives by the OEMs.

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

Okay. And on your radar -- on your new radar solution that you discussed at the investor dinner a month ago or so, just what's the thought around when that would be commercially available or when you would start offering that out to bid?

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

The discussions for the offerings are ongoing right now. So obviously, they'll be targeting programs in the 2020, 2021 time frame. As you know, from a normal automotive cycle, so we have actually demonstrations and vehicles that are going through the process of the validation and back-and-forth communication between our customers and us.

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

Okay. And then Vince, real quick, just I know you'll give more disclosure for '18 in January, but just big picture from a margin standpoint, when we think about commodities for '18, there's been some leveling off here in the last few months on some key commodities, but just as we think about impact to '18, what are your initial thoughts?

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

My initial -- I don't have some initial thoughts right now. I think we've got to look at a couple of things. Think about steel and a big chunk of our steel is under customer resell (inaudible), so there isn't an impact there. And with respect to resin and a bunch of other commodities that impacts us, it depends on a couple of factors. We do have some contracts in place, (inaudible) contracts, so it's sort of a year-over-year comparison and that's in the works. I don't have that data with me, but I can certainly look and give some update again in January.

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

But with oil prices where they've moved, it would seem that, that's maybe potentially a bit of a headwind on a year-over-year basis, just conceptually?

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

Yes, the other piece is what happens to customer recoveries on some of that commodity price inflation. It's hard to tell right now. It's usually a bit of a delay in this.

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

If I had a crystal ball, I wish I did, it's so hard to tell what's going to happen with oil prices or the impact. There's a lot of moving factors. I'm going to be just -- I'm going to stay on for one more question and then I've got to take a customer call, but the rest of the people will stay on here. So it will be Don Walker stepping on out after this next question.

Operator

The next question comes from the line of Richard Hilgert of Morningstar.

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

Wanted to ask about the CapEx going forward. We had, at one point, a longer-term guidance there for a little more than 5% this year, a little more than 4% next year and then slightly or around the 4% number after that. This year, now with the revenue guidance progressing as it has and the CapEx now going to just approximately 1.9%, we're coming out at about a 4.8% for the year. You've got the autonomous vehicle, you've got the increase in contract assembly. It seems like the CapEx is coming in lighter than previously anticipated. What should we expect going forward? Are we seeing a decline in the absolute amount of CapEx? Or should we continue to expect CapEx to grow? And how is that comparing with the previous expectations that you had?

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

Yes, so Rich, we're still, again, wrapping up business plans, but directionally, I think you've got to keep in mind a couple of things. Sales could -- we moved up sales in the course of the year, so that doesn't necessarily going to impact capital, going up or going down. You've got programs that you've got commitments to, you've got to make that capital expenditure, and sales are up or sales are down a little bit, the percentages may move around, but the absolute level of capital shouldn't change. In terms of what's happened in 2017, we have been bringing our capital guidance down a little bit. A big part of it is just focus on capital spending, and do we need to spend the capital; is there a different way of achieving the same result without putting that fixed cost structure in place? And that's result in a little bit of fine-tuning in our capital in 2019. Now some of that may move forward a little bit to, sorry to -- from 2017 to 2018. But I think over the next 3 years, the overall aggregate capital number should be pretty well what we talked about in absolute dollars. Autonomous vehicles and what we're doing on the ADAS side, when I think about the impact to our income statement and balance sheet, the biggest part of that is engineering expenses, not really capital. So we'll have to -- as that continues to grow and we're monitoring that, is what impact does that have on overall R&D and engineering? And is that a significant amount year-over-year on our sales base relative to the same? Again, we're putting all that information together for our business plan, as well as to communicate that in January.

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

We are focused on our percent of free cash flow, so that's something we have -- we do believe is impacting our stock price. So we have updated focus internally in all the groups and corporate.

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

Okay. Just following up a little bit on electrification. In the discussion about whether or not battery electric drives are going to be in-house or outsourced, we've got Mercedes telling us electric drive is going to be pretty much completely outsourced for them. On the other hand, you've got BMW saying it's going to be something that is insourced and viewed as core technology. Do you have a sense at all among the automakers? Is there more of a majority that is viewing this as a core technology? Or is there more of a majority of manufacturers that view electric drive as something that can be outsourced and no longer needs to be powertrain, no longer needs to be the core technology that it once was?

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

Swamy, you want to answer that?

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

Yes, Vince. I think you bring a point if you look at the engines in the past, you have the same thing. You could have an engine platform, but the differentiation could come in terms of the calibration. So if you look at the electric drivetrain or powertrain as you want to call it, there is a few pieces or aspects of this, the major building blocks being e-machine or e-motor, an inverter, a gearbox and obviously, the power electronics and software. I think it's not going to be a clear answer to say that it's all going to be outsourced or not. But we feel from the vantage point that we look at, it's going to be part of it definitely is going to be outsourced. More the question becomes more of the system. Some OEMs might say they want to have the e-machine, or certain aspects of the e-machine, internal to them because it becomes a core, because they have to address either peak power or continuous power and so on. But we believe we see a definite role for the Tier 1s as we bring the technical aspects to the table, and bring the economies of scale as we address this more on a platform strategy rather than each individual piece.

Operator

And our next question comes from the line of Todd Coupland from CIBC World Markets.

Todd Adair Coupland - *CIBC Capital Markets, Research Division - MD of Institutional Equity Research*

My first question is on just ADAS and EV technology. It seems like you are zeroing in on the technology and the pieces needed for systems in both of these areas. Is it fair to say you have what you need there now and don't need to make significant tech acquisitions?

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

Vince, if you want me to answer this?

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

Sure. Please go ahead, Swamy.

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

I think it's a fast-changing field, as you know better than us, both in terms of EV -- development cycles of EV might be a little bit more akin to the automotive cycles of the past that we are used to. But on the AD side, from the autonomous side, having the building block in terms of the sensors or the compute power, the most important thing you could have, an architecture that is modular, reconfigurable and scalable. That aspect we believe we have the foundation and the basis. But we continue to scan the landscape to see how we need to stay ahead with the changing landscape, right? So to answer the question, very specifically to say is it all done, I think is a very difficult thing to put a pin on. But I would say we have the necessary building locks and the engineering development continues. But we keep a lookout to see if there's something disruptive coming.

Todd Adair Coupland - *CIBC Capital Markets, Research Division - MD of Institutional Equity Research*

Great. And then Vince, directionally, it seems like with assembly rising in Europe next year and a flattish outlook for North America, that margins are probably going to have to skew a bit lower, just from a mix point of view. Is that the right way to think about that?

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

I think you have to look at all the pieces, Todd, to come to that conclusion. If you think about North America and for where production is going to be compared to 2017, if you think about new programs that are launching, new facility cost, continued growth in operating performance in production divisions in Europe. We've been focusing on improving overall margins and we talked about some underperformance that we're working on, so that will contribute to profitability. We've talked about Asia and the growth in Asia as well, we are expecting continued expansion in GETRAG's equity income in the outer years. So how that all kind of balances out in effect, I don't know at this point in time. But the pieces all look to be going in the right direction, but we need to put it all together. You're a couple of months early, Todd, before I can give you some real specifics on that.

Operator

And our next question comes from the line of Colin Langan from UBS.

Colin Langan - *UBS Investment Bank, Research Division - Director in the General Industrials Group and Analyst*

On the joint venture income, it was down $20 million year-over-year. You indicated about $10 million was from GETRAG. What were the other issues sort of in that line item for the quarter?

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

I think when you look kind of year-over-year, equity income was down $20 million. You've got about a $10 million reduction in GETRAG in Europe. And about a $10 million reduction in GETRAG in Asia. I mean, there's a ton of moving pieces, but the 2 big items are GETRAG, which in total is the $20 million.

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

And the down $10 million really related to the previous, our previous expectations.

Colin Langan - *UBS Investment Bank, Research Division - Director in the General Industrials Group and Analyst*

Okay. And then when we look at the outlook, your full year Europe margin, target's about 4%. You're only at 2.9% this quarter. Obviously, you had a very strong start to the year. What are the key drivers we should think about that kind of gets that back closer to the 4% in Q4? Is it just seasonality? Or is there other items or some of those operational inefficiencies in the Europe body and chassis plant actually start to decline?

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

We had launch costs for the E-PACE, so we actually started to launch and get some contribution on the E-PACE in the quarter. As well, we've got seasonality, Q3 is seasonally weaker than Q4. So we are expecting volumes and sales to increase in the fourth quarter versus the third quarter. Actually, we have a fair bit of growth in production sales in Q4 as well.

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

Colin, can I just go back to your equity question? You asked, you were looking at Q3-to-Q3 in equity income being down about $20 million, correct?

Colin Langan - *UBS Investment Bank, Research Division - Director in the General Industrials Group and Analyst*

Yes, year-over-year.

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

Let me kind of just clarify that, because I may have just confused you with the response. So on a year-over-year, so Q3 of '17 compared to Q3 of '16, our equity income was down to $20 million. And a small piece of that relates to non-GETRAG, which I made some commentary on, which is related to just sales volumes. The -- substantially, the rest of it relates to GETRAG. When I look at GETRAG, a big chunk of that was as a result of just the U-shaped results that we were expecting for GETRAG, because they've just got -- they got launches, so we were having additional launch costs. And that was in Europe. When I look at our Asian operations on a year-over-year basis, we're seeing an increase in unconsolidated sales and an increase in equity income. So the shortfall in GETRAG compared to last year was 0. And part of that was expected because we were launching programs. Part of that, as I talked about, was unexpected, which related to launch-related costs and a reduction of volumes in a particular program for sales to a Chinese OEM.

Colin Langan - *UBS Investment Bank, Research Division - Director in the General Industrials Group and Analyst*

And then just lastly, the acquisition of the LiDAR company, any color on where you're targeting the launch? What timing you might launch a product and maybe where the cost target might be eventually to get all (inaudible) to?

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

Swamy, do you want to take that?

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

Yes, I think we are in active discussions on a few programs from different OEMs. Just like anything, we are not at liberty to speak about the programs right now. But they're addressing, like I said, the 2020, 2021 time frame. From a cost perspective, it becomes difficult until we get a sense of the volumes and the program scope we are addressing. So I think we'll be able to address it in a bit more in detail in the next 2 quarters as we get more detail on it. But we're working on programs with OEMs as we speak.

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

Operator, we're going to take one more call.

Operator

And the final question is a follow-up from Brett Hoselton from KeyBanc.

Brett David Hoselton - *KeyBanc Capital Markets Inc., Research Division - MD and Equity Research Analyst*

It's actually a conceptual question, which will be assembly. Can you talk a little bit about what your plans are, what you're thinking about demand for your assembly capabilities going forward? Obviously, you're seeing a significant increase and you've already told us where you're going to go revenue-wise over the next few years. What I'm asking is, are you contemplating adding, for example, paint capacity or assembly capacity in any other region of the world that you're currently in?

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

We are actually adding, today, some additional paint capacity in Slovenia. That operation's not starting up in sales -- I think it's the end of '18, beginning of '19. The longer-term plan is to continue to add to capacity in Slovenia as programs get awarded. It's a lower-cost region. It will be absolutely the same part from a technology standpoint, and continue to grow in Europe. And so that's the first part of it. We're adding that capacity because based on awarded business today in Magna Steyr at Graz, if you get out to kind of '19 time frame, we're out of paint capacity. So I see that as kind of the first step to continued growth in our overall completed vehicle assembly business in Europe.

Brett David Hoselton - *KeyBanc Capital Markets Inc., Research Division - MD and Equity Research Analyst*

And would you say that beyond 2019, I mean, the assembly business historically has been fairly cyclical. Would you say that based on current demand, would you anticipate beyond 2019 to decline, plateau or increase? I mean, I guess, conceptually what I'm asking is there a general trend within the industry that you're seeing which would demand you increase or decrease that capacity?

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

When we -- if I look at kind of Magna Steyr and similarly focused opportunities, I see a continued opportunity to grow that business.

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

Well, thank you for listening in today to our call. We've got a lot of exciting activities going on in the industry and Magna continues to be very much involved in them. Thank you again. Have a good 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 line.
