



*Technologies Limited*



# Q3 F2019 Earnings Call

August 2, 2019

# Cautionary Statement



Information in this presentation relating to projected growth and financial performance of the Company's business units, contribution of our greenfield business units, margin performance and operating efficiencies are forward-looking statements.

Readers are cautioned not to place undue reliance on forward-looking statements made during this presentation referring to growth and financial performance of the Company's business units, margin, operating improvement, capital expenditures and acquisitions because these plans, intentions or expectations are based on, among other things, assumptions about the number of automobiles produced in North America and Europe, the number of extrusion dies required in North America and South America, the rate of economic growth in North America and Europe and emerging markets, investment by OEMs in drivetrain and structural part architecture and other initiatives intended to reduce fuel consumption and/or the weight of automobiles, raw material prices, general economic conditions, capital expenditures and currency fluctuations. These forward-looking statements include known and unknown risks, uncertainties, assumptions and other factors which may cause actual results or achievements to be materially different from those expressed or implied. For a more extensive discussion of Exco's risks and uncertainties see the 'Risks and Uncertainties' section in the latest Annual Report, Annual Information Form ("AIF") and other reports and securities filings made by the Company. This information is available at [www.sedar.com](http://www.sedar.com) and [www.excocorp.com](http://www.excocorp.com).

While Exco believes that the expectations expressed by such forward-looking statements are reasonable, we cannot assure that they will be correct. In evaluating forward-looking information and statements, readers should carefully consider the various factors which could cause actual results or events to differ materially from those indicated in the forward-looking information and statements. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the Company will update its disclosure upon publication of each fiscal quarter's financial results and otherwise disclaims any obligations to update publicly or otherwise revise any such factors or any of the forward-looking information or statements contained herein to reflect subsequent information, events or developments, changes in risk factors or otherwise.



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**Darren Kirk**  
Chief Executive Officer

# Q3 F2019 Operations Overview



## Key Highlights in the Quarter – Automotive Solutions

- Overall industry vehicle production down approximately 2% in N.A and 7% in Europe
  - SUV/ Trucks 70% of NA volumes (production up 3%); cars 30% of NA volumes (production down 12%)
- Segment revenue (excluding ALC and FX movements) up 2% year over year
  - Polydesign and Neocon recorded good sales growth; Polytech and AFX slight decline
- Profitability negatively impacted by a number of items:
  - Higher labour costs at Polytech and AFX due to strike settlement in January 2019
  - Launch inefficiencies, primarily at Polydesign and Neocon but also AFX
  - Tooling supplier disruption costs
  - Modest amount of continuing expedited freight, O/T and severance costs related to strike
- New product initiatives and bidding activity remain good across the segment

# Q3 F2019 Operations Overview



## Key Highlights in the Quarter – Casting & Extrusion

### Large Mould Group

- Revenues down due to completion/ wind-down of negative margin jobs
  - Group pre-tax profitability increased as mix improved
- Benefiting from efficiency improvement related to prior capex spend
  - Vast majority of repeat insert volume going through new manufacturing cell
  - Have ordered two additional 5-axis machines to realize further efficiency benefits and fill expected capacity requirements
- Backlog and bidding activity remain solid; ongoing dialogue with new potential customers
- Additive manufacturing capability providing a clear benefit; leveraging 2019 Pace Award win

# Q3 F2019 Operations Overview



## Key Highlights in the Quarter – Casting & Extrusion

### Castool Group

- Innovative portfolio of products well positioned to continue gaining market share
- Group sales relatively flat year over year
- Sales of capital equipment remain strong, though consumable component demand more varied
  - Asia consumable sales are slow due to general economic conditions and also Chinese supply redirected following US tariffs introduced previously
- 20,000 square foot addition well underway in Uxbridge
  - Will be complete in early F2020 to provide incremental capacity
- Moving ahead with third plant in Morocco to better penetrate that market
  - Majority of related capex spend will occur in F2020

# Q3 F2019 Operations Overview



## Key Highlights in the Quarter – Casting & Extrusion

### Extrusion Group

- North American extrusion market softened during the quarter
  - Driven by weakness in the Building and Construction sector
  - Reduced overhead absorption negatively impacted group profitability
- Mexico extrusion die plant completed first quarter of commercial operations; encouraging results
- US steel tariffs have receded as exemptions obtained; negatively impacting revenues with limited impact on profitability
- Multi-plant footprint provide significant competitive benefits



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**Matthew Posno**  
Chief Financial Officer



# Q3 F2019 Financial Overview



## Consolidated Results Versus Prior Year Period

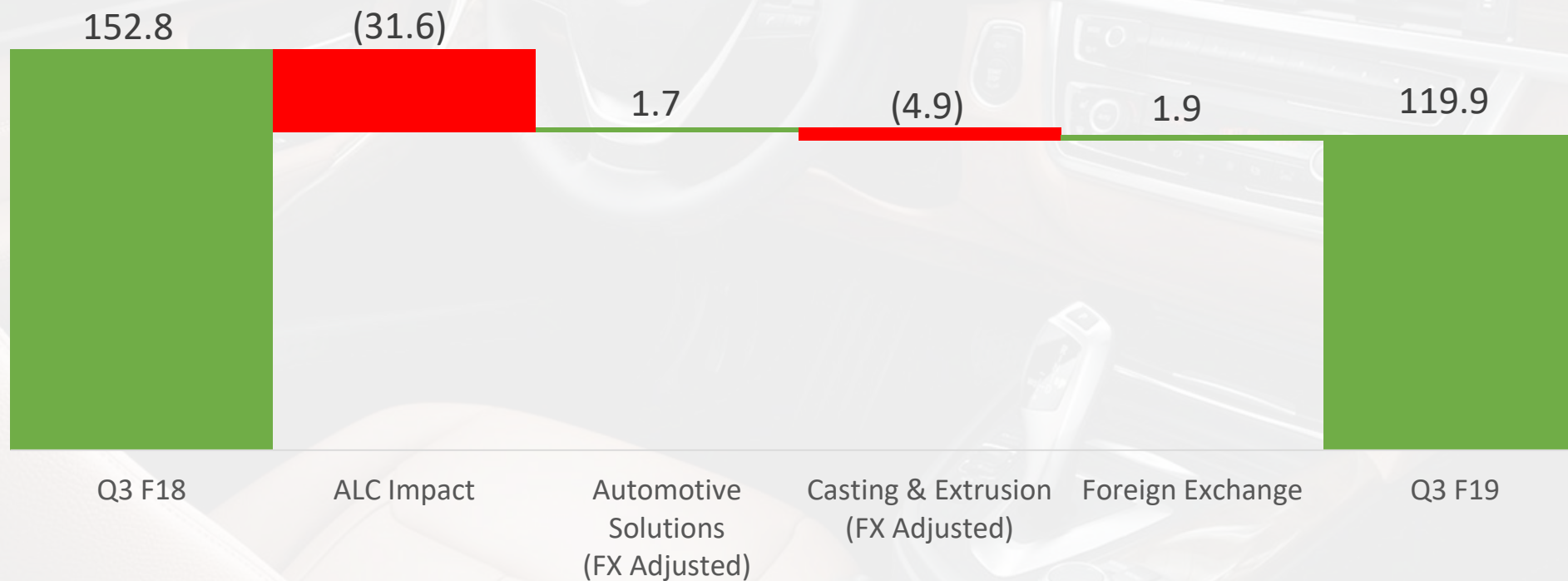
- Revenue of \$119.9M; down \$32.8M or 21% essentially due to the elimination of ALC
- EBITDA of \$14.5M; down 28%, mostly due to higher costs in the Automotive Solutions segment
- Casting and Extrusion segment revenues down 9% and EBITDA down by 18% (both before FX moves)
- Automotive Solutions segment revenues down 30% and EBITDA down by 31% (both before FX moves)
- EPS of \$0.18 versus \$0.27
- Free cash flow of \$11.2M in the quarter
- Repurchased 230,100 shares for \$1.9M
- Balance sheet in a \$4.2M net debt position

# Q3 F2019 Financial Overview



## Consolidated Revenue Reconciliation

C\$ Millions

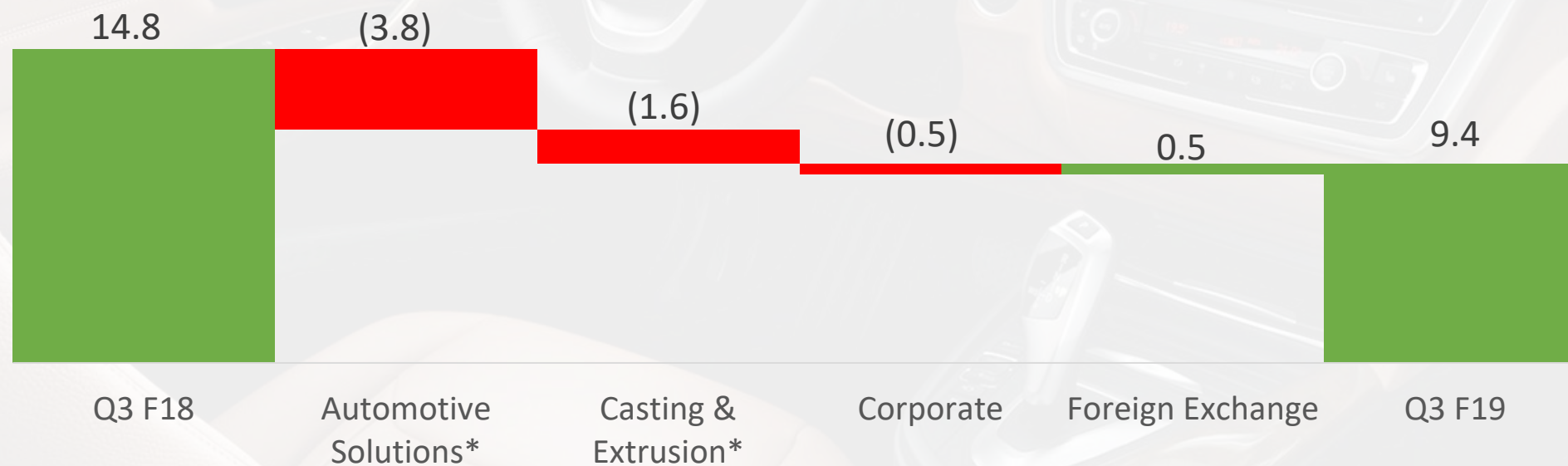


# Q3 F2019 Financial Overview



## Consolidated PTP Reconciliation (Before Interest and Other Expense)

C\$ Millions



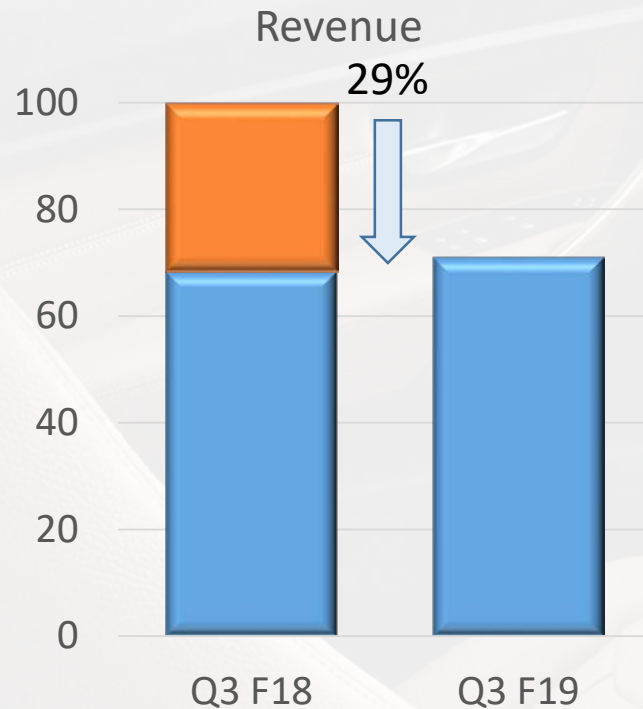
\* FX Adjusted

# Automotive Solutions Segment

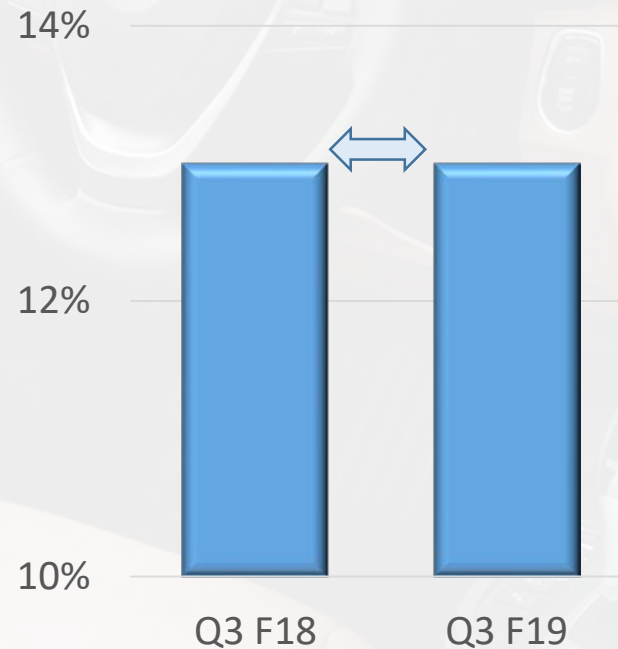


Revenues up slightly excluding ALC but higher costs reduced EBITDA

C\$ Millions

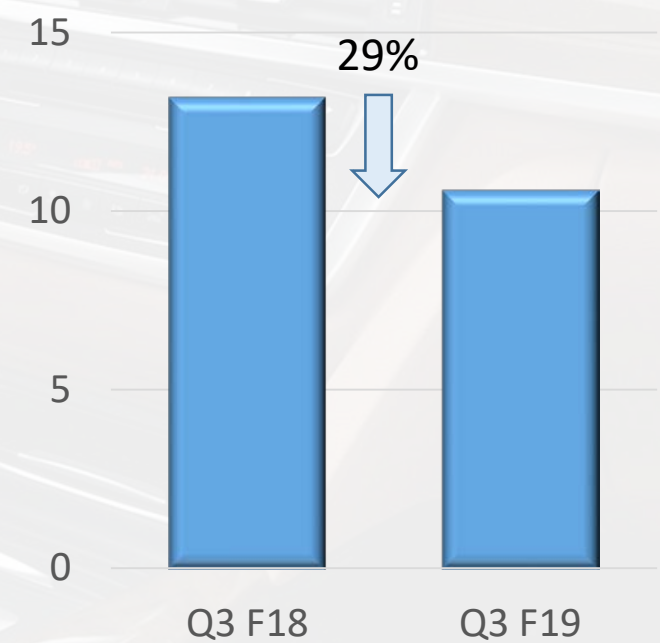



Segment EBITDA Margin



C\$ Millions

Segment EBITDA



 Revenues from ALC in Q3 F18

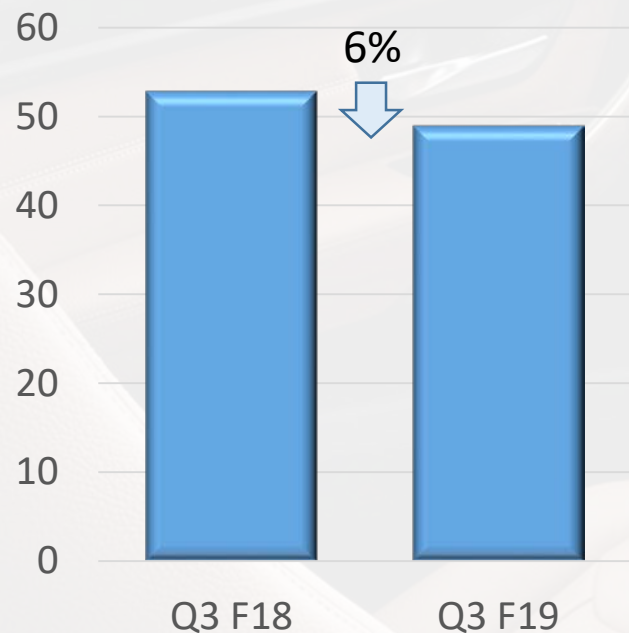
# Casting & Extrusion Segment



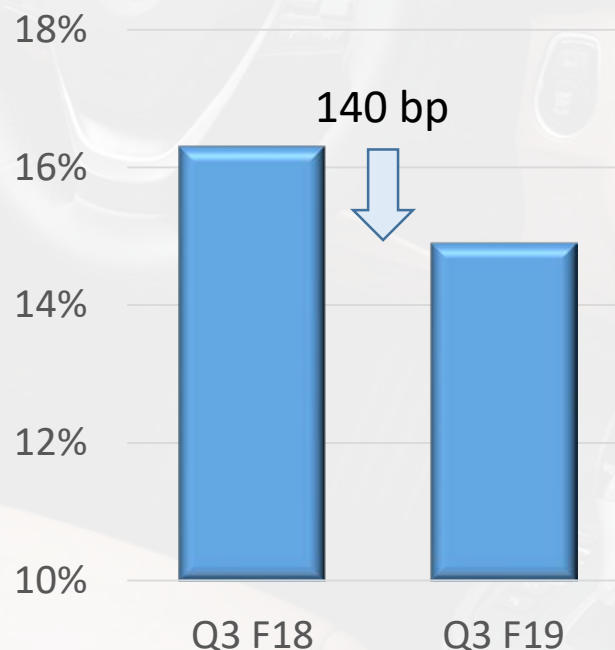
Segment EBITDA down mostly on higher S,G&A and FX movements

C\$ Millions

Revenue

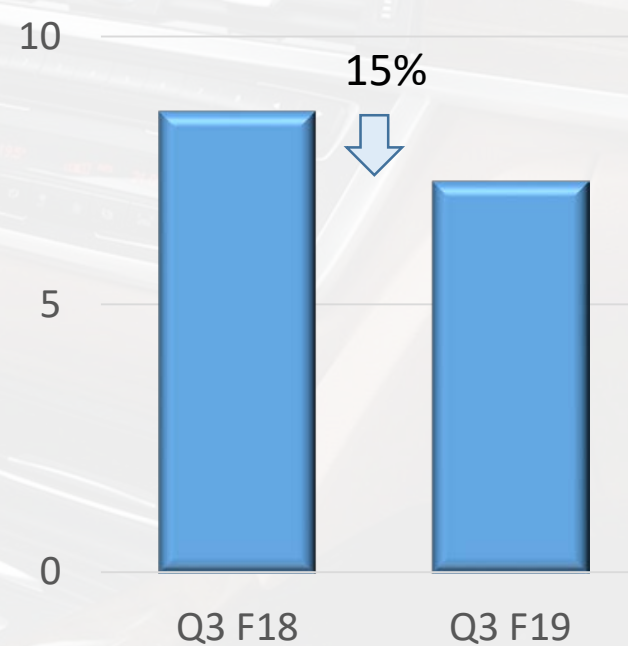


Segment EBITDA Margin



C\$ Millions

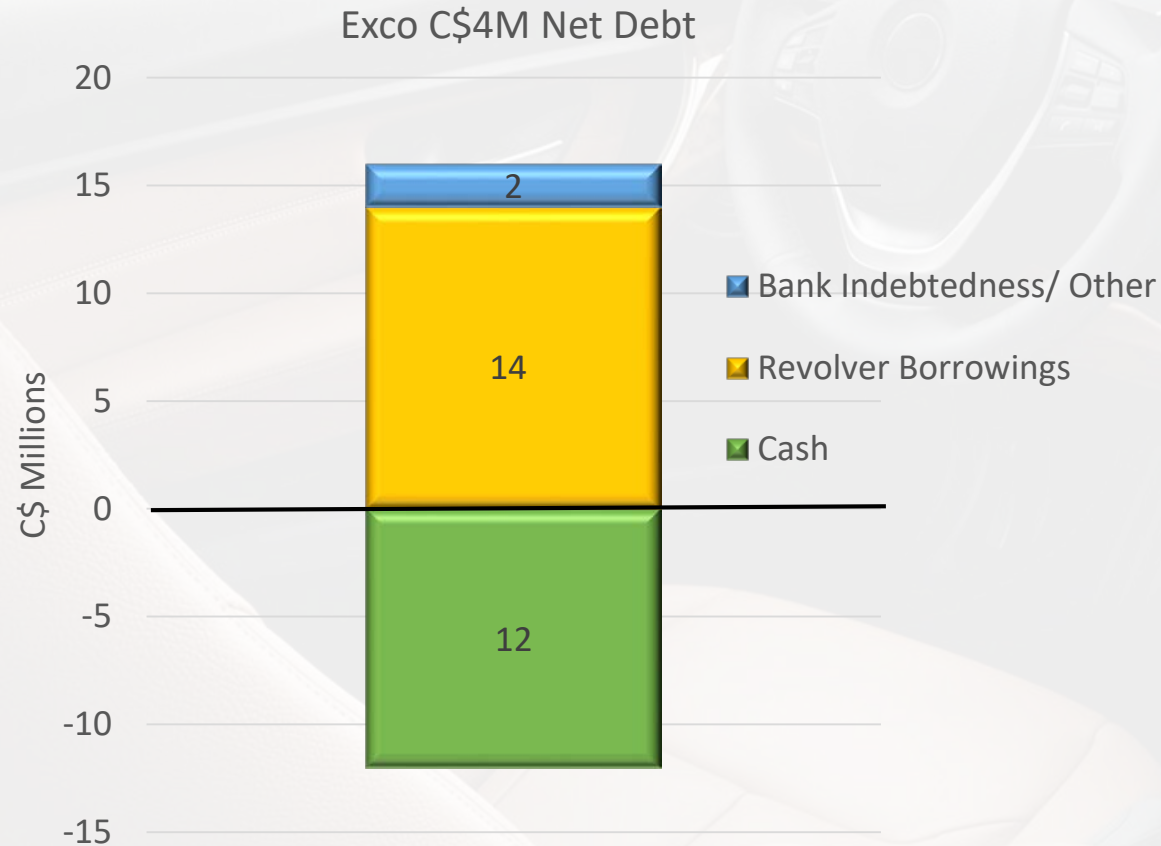
Segment EBITDA



# Financial Leverage & Liquidity



Net Debt/ LTM Q3F19 EBITDA of 0.1x



- LTM Q3F19 EBITDA of C\$70M
- C\$50M committed revolver matures February 2021; \$36M available
- Balance sheet cash of \$12M
- Consistent free cash flow generation
- Near term free cash flow will be directed to dividend payments and share repurchase activity

# Questions





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