Exco Technologies Limited
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NEWS RELEASE

EXCO RESULTS FOR THIRD QUARTER ENDED JUNE 30, 2023

- **Record quarterly Sales of $164.6 million, up 27% over prior year quarter**
- **Net Income of $6.3 million and EPS of $0.16**
- **EBITDA of $18.6 million increased 27% over prior year quarter**
- **Market interest in tooling for very large die-casting machines continues to grow strongly**
- **Quarterly dividend of $0.105 per common share to be paid September 29, 2023**

Toronto, August 2, 2023 - Exco Technologies Limited (TSX-XTC, OTCQX-EXCOF) today announced results for its third quarter of fiscal 2023 ended June 30, 2023. In addition, Exco announced a quarterly dividend of $0.105 per common share which will be paid on September 29, 2023 to shareholders of record on September 15, 2023. The dividend is an "eligible dividend" in accordance with the Income Tax Act of Canada.

	Three Months Ended June 30		Nine Months Ended June 30	
(in $ thousands except per share amounts)				
	2023	2022	**2023**	2022
Sales	**$164,551**	$129,250	**$459,151**	$349,532
Net income for the period	**$6,263**	$5,563	**$17,074**	$13,397
Earnings per share:				
Basic and Diluted – Reported	**$0.16**	$0.14	**$0.44**	$0.34
EBITDA	**$18,567**	$14,594	**$51,589**	$36,479

"Exco's third quarter results clearly demonstrate our numerous growth initiatives are on the right track", said Darren Kirk, Exco's President and CEO. "This quarter, our content per vehicle again grew strongly in our Automotive Solutions segment, while demand for our various light-metal tooling products and solutions reached record levels. I would like to thank all my Exco teammates for their hard work and innovation efforts in both product and process areas."

Consolidated sales for the third quarter ended June 30, 2023 were $164.6 million compared to $129.3 million in the same quarter last year – an increase of $35.2 million, or 27%. Excluding foreign exchange rate fluctuations sales increased 20% during the quarter.

Strong sales were supported by the Company's various strategic growth initiatives. These initiatives are primarily driven by the increased adoption of electric vehicles, the lightweighting and economizing of motor vehicles, the broader global environmental sustainability movement and the adoption of advanced die-cast and extrusion tooling to meet these global macroeconomic changes to manufacturing. The Company is making significant investments in capital assets, non-cash working capital, human resources and training, and other resources to capture this growth. The impact of these investments is suppressing near term profitability but will provide opportunities for meaningful contributions over a multi-year horizon as increased scale is achieved. The status of our various growth initiatives are summarized as follows:

- Castool Morocco Greenfield Facility – This new plant officially opened in November 2021 and positions Castool to better penetrate the European die cast and extrusion consumable tooling markets. The plant is cautiously ramping up to ensure top quality and showing good traction in markets that have sizeable opportunities.
- Castool Heat Treatment Operations (located within our existing Newmarket Large Mould facility) – Initial operations began in the Spring of 2022 and the last of the major equipment was installed in April 2023. This facility provides unmatched capabilities, particularly for larger tooling components and enables the insourcing of Castool's and Large Mould's heat treatment needs. Additional benefits of this operation include: eliminating shipping and scheduling conflicts with third party suppliers, shorter lead times, increased quality control, and a reduction in the Company's environmental footprint.
- Castool Mexico Greenfield Facility – The building has been completed and equipment has started to arrive. Opening ceremonies for this facility are scheduled for October 2023. This facility will increase manufacturing capacity and position Castool to better penetrate markets in Latin America and the Southern US.
- Large Mould Group Equipment Additions – Expanded the Large Mould Group's additive manufacturing (3D printing) capacity, increased its crane lift capabilities to 100 tons, and added several medium and large 5-axis milling machines in order to capture growth in the very large die-cast market segment. All equipment is now installed and operational.
- Extrusion Group Heat Treatment – Added new heat treatment equipment to our extrusion plant in Mexico to eliminate outsourcing, increased heat treat capacity in our Texas plant, and replaced equipment in Markham with new energy efficient heat treat equipment. All equipment is now operational.
- Automotive Solutions Group – Expanded the Polytech and Neocon facilities (combined 40,000 square feet) to meet growing demand from significant program awards. The last of the equipment became operational in the second quarter of fiscal 2023.
- Halex acquisition completed May 2, 2022 - Halex is the second largest manufacturer of aluminium extrusion dies in Europe and the continent's leading supplier of complex extrusion dies and complements Exco's existing North and South American extrusion die operations. The acquisition provides Exco with well-established and high-quality operations and more extensive opportunities to better support our global customers and grow in new markets. Work continues to integrate Halex into the Extrusion Group operations and realize synergies from the sharing of best practices.

The Automotive Solutions segment reported sales of $86.2 million in the third quarter – an increase of $21.6 million, or 33% from the prior year quarter. Excluding foreign exchange rate movements, segment revenues were higher by 26% for the quarter. This strong level of organic sales increase was driven by the continued ramp up of newer programs, higher vehicle production volumes in North America and Europe, select pricing actions to compensate for inflationary pressures as well as favorable vehicle mix. During the quarter, IHS Markit estimates vehicle production volumes increased 15% in North America and 14% in Europe compared to the prior year quarter. By comparison, the segments' organic sales growth was well above these levels, indicating strong gains in content per vehicle. Looking forward, OEM vehicle production volumes are expected to increase at a more modest pace through the remainder of calendar 2023. There remains consistent customer demand for new vehicles and dealer inventory levels continue to be replenished. While the semiconductor chip shortages and other supply chain constraints continue to improve, industry growth may be tempered by rising interest rates and emerging indicators of a global recession. Nonetheless, Exco will benefit from recent and future program launches that are expected to provide ongoing growth in our content per vehicle. Quoting activity remains very encouraging and we believe there is ample opportunity to achieve our targeted growth objectives, which include realizing segment revenues of C$400 million by F2026.

The Casting and Extrusion segment reported sales of $78.4 million for the third quarter – an increase of $13.7 million or 21%, from the same period last year. Excluding foreign exchange rate movements, segment revenues increased 14% during the quarter. Casting and Extrusion segment sales were influenced by the acquisition of Halex in May 2022. Excluding Halex's contribution, sales increased by 15% in the quarter as overall market demand remained firm and the Company benefited from its various strategic growth initiatives. Demand for our consumable extrusion tooling (i.e. dies, dummy blocks, stems, etc.) and associated capital equipment (die ovens, containers, etc.) remained relatively firm overall due to both industry growth and ongoing market share gains, although we believe there were signs of market activity for certain extrusion tooling slowing through the quarter.

In the die-cast market, demand for new moulds, consumable tooling (shot sleeves, rods, rings, tips, etc.), rebuild work and additive printed tooling has continued to improve strongly as vehicle production recovers and new electric vehicles and more efficient internal combustion engine/transmission platforms are launched. Also, customer inventory levels increased as expectations for higher vehicle production volumes improve. Our die-cast products are highly innovative and clearly gaining market share, particularly for tooling that is larger and more complex, the fastest growing portion of the market. Sales in the quarter were also aided by price increases, which were implemented to recover margins eroded by higher input costs. Quoting activity within the die-cast end market remains extremely robust while our backlog levels are near record highs, which is expected to bode well for sales into fiscal 2024.

Consolidated net income for the third quarter was $6.3 million or basic and diluted earnings of $0.16 per share compared to $5.6 million or $0.14 per share in the same quarter last year – an increase of net income of $0.7 million. The consolidated effective income tax rate of 26% in the current quarter increased from 24% from the prior year. The change in income tax rate in the quarter was impacted by nondeductible losses, geographic distribution, and foreign tax rate differentials.

The Automotive Solutions segment reported pretax profit of $9.0 million in the third quarter an increase of $4.1 million from the prior year quarter. The increase in pretax profit is largely attributable to higher sales, better absorption of overheads, and select pricing actions. This improvement was partially offset by inefficiencies caused by launch costs from new programs in the period. Industry vehicle production volumes remain below pre-pandemic levels and ongoing supply chain challenges continue to influence production volumes, but these challenges lessened in the quarter while cost increases related to raw materials, wages, and transportation also subsided. Management is optimistic that its overall cost structure will return to relatively normal levels in future quarters as scheduling and predictability improves with strengthening volumes. Pricing discipline remains a focus and action is being taken on current programs where possible, though there is typically a lag of a few quarters before the impact is realized. As well, new program awards are priced to reflect management's expectations for higher future costs.

The Casting and Extrusion segment reported $4.0 million pretax profit in the third quarter – a decrease of $0.8 million from the same quarter last year. Increased overhead absorption and production efficiencies due to stronger sales in the die-cast market (including new moulds, rebuilds, consumable tooling and additive printed tooling) and improvements at Castool's new operations in Morocco contributed positively to the results in the quarter. These positive contributions were offset by a general slowdown in the extrusion die market driven primarily by higher interest rates negatively affecting the building and construction markets, higher depreciation ($1.4 million in the quarter), start-up costs at Castool's Mexico and Heat Treat facility in Newmarket, as well as higher raw material, energy, freight and labour costs. Management expects to temper many of these costs over the coming quarters through efficiency improvements and pricing action, where possible. Margins will also benefit as newer operations mature and achieve greater scale and as utilization of new equipment that facilitates the manufacturing of large-scale die-cast tooling improves. The higher depreciation relates to the acquisition of Halex and the Company's investment in new capital that will improve operations and provide access to new geographies to increase our market share. Castool's new Mexican operation is scheduled to open in the first quarter of fiscal 2024 and ramp up quickly contributing to increased market share gains in both the die-cast and extrusion tooling markets in Mexico, Latin America and the Southern US. Management remains focused on reducing its overall cost structure and improving manufacturing efficiencies and expects such activities together with its sales efforts to improve segment profitability over time.

Corporate segment expenses were $2.6 million in the third quarter compared to $1.5 million in the prior year quarter. The current quarter increase is due to higher foreign exchange losses compared to gains in the prior year quarter and increased incentive expenses.

Consolidated EBITDA for the third quarter totaled $18.6 million compared to $14.6 million in the same quarter last year – an increase of $4.0 million. For the quarter, EBITDA as a percentage of sales of 11% remained unchanged compared to the prior year quarter. The EBITDA margin remained consistent as segment margins changes were off-setting - Casting & Extrusion segment (13% compared to 15%) and the Automotive Solutions segment (13% compared to 10%).

Exco generated cash from operating activities of $23.7 million during the quarter and $16.9 million of Free Cash Flow after $4.9 million in Maintenance Fixed Asset Additions and $2.0 million in interest expense. During the quarter the Company invested $6.2 million in growth capital expenditures and $4.1 million in dividends. Exco ended the quarter with $20.9 million in cash, $118.0 million in bank and long-term debt and $32.0 million available in its credit facility, continuing Exco's practice of maintaining a strong balance sheet and liquidity position.

Outlook

Despite current macro-economic challenges, including tightening monetary conditions, the overall outlook is very favorable across Exco's segments into the medium term. Consumer demand for automotive vehicles is currently outstripping supply in most markets, which are constrained by a shortage of semiconductor chips and, to a lesser extent, other raw materials, components and availability of labour. Dealer inventory levels are near record lows, while average transaction prices for both new and used vehicles are at record highs and the average age of the broader fleet has continued to increase to an all-time high. This bodes well for higher levels of future vehicle production and the sales opportunity of Exco's various automotive components and accessories once supply chains normalize. In addition, OEM's are increasingly looking to the sale of higher margin accessory products as a means to enhance their own levels of profitability. Exco's Automotive Solutions segment derives a significant amount of activity from such products and is a leader in the prototyping, development and marketing of the same. Moreover, the rapid movement towards an electrified fleet for both passenger and commercial vehicles is enticing new market entrants into the automotive market while causing traditional OEM incumbents to further differentiate their product offerings, all of which is driving above average opportunities for Exco.

With respect to Exco's Casting and Extrusion segment, the intensifying global focus on environmental sustainability is creating significant growth drivers that are expected to persist through at least the next decade. Automotive OEMs are looking to light-weight metals such as aluminum to reduce vehicle weight and reduce carbon dioxide emissions. This trend is evident regardless of powertrain design - whether internal combustion engines, electric vehicles or hybrids. As well, a renewed focus on the efficiency of OEMs in their own manufacturing process is creating higher demand for advanced tooling that can contribute towards their profitability and sustainability goals. Certain new EV manufacturers have adopted the approach of utilizing much larger die cast machines to cast entire sub-frames of vehicles out of an aluminum based alloy rather than assemble numerous pieces of separately stamped and welded pieces of ferrous metal. Exco expects traditional OEMs will ultimately follow this trend and is positioning its operations to capitalize accordingly. Beyond the automotive industry, Exco's extrusion tooling supports diverse end markets which are also seeing increased demand for aluminum driven by environmental trends, including energy efficient buildings, solar panels, etc.

On the cost side, inflationary pressures have intensified while prompt availability of various input materials, components and labour has become more challenging. We are offsetting these dynamics through various efficiency initiatives and taking pricing action where possible although there is typically several quarters of lag before the counter measures are evident.

The Russian invasion of Ukraine has added additional uncertainty to the global economy in the last 18 months. And while Exco has essentially no direct exposure to either of these countries, Ukraine does feed into the European automotive markets and Europe has significant dependence on Russia for its energy needs.

Exco itself is also looking inwards with respect to ESG and sustainability trends to ensure its own operations are sustainable. We are investing significant capital to improve the efficiency and capacity of our own operations while lowering our own carbon footprint. Our Sustainability Report is available on our corporate website at: www.excocorp.com/leadership/sustainability/.

Exco is currently targeting a compounded average annual growth rate (excluding acquisitions) of approximately 10% for revenues and slightly higher levels for EBITDA and Net Income through fiscal 2026, which is expected to produce an annual EPS of roughly $1.90 by the end of this timeframe. This target is expected to be achieved through the launch of new programs, general market growth, and also market share gains consistent with the Company's operating history. Capital investments will remain elevated in the balance of the fiscal year in order to position the Company for the significant growth opportunities. Capital expenditures are expected to be approximately $46 million for fiscal 2023.

For further information and prior year comparison please refer to the Company's Third Quarter Condensed Financial Statements in the Investor Relations section posted at www.excocorp.com. Alternatively, please refer to www.sedar.com.

Non-IFRS Measures: In this News Release, reference may be made to EBITDA, EBITDA Margin, Pretax Profit, Free Cash Flow and Maintenance Fixed Asset Additions which are not defined measures of financial performance under International Financial Reporting Standards ("IFRS"). Exco calculates EBITDA as earnings before interest, taxes, depreciation and amortization and EBITDA Margin as EBITDA divided by sales. Exco calculates Pretax Profit as segmented earnings before other income/expense, interest and taxes. Free Cash Flow is calculated as cash provided by operating activities less interest paid and Maintenance Fixed Asset Additions. Maintenance Fixed Asset Additions represents management's estimate of the investment in fixed assets that are required for the Company to continue operating at current capacity levels. Given the Company's elevated planned capital spending on fixed assets for growth initiatives (including additional Greenfield locations, energy efficient heat treatment equipment and increased capacity) through the near term, the Company has modified its calculation of Free Cash Flow to include Maintenance Fixed Assets and not total fixed asset purchases. This change is meant to enable investors to better gauge the amount of generated cash flow that is available for these investments as well as acquisitions and/or returns to shareholders in the form of dividends or share buyback programs. EBITDA, EBITDA Margin, Pretax Profit and Free Cash Flow are used by management, from time to time, to facilitate period-to-period operating comparisons and we believe some investors and analysts use these measures as well when evaluating Exco's financial performance. These measures, as calculated by Exco, do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other issuers.

Quarterly Conference Call – August 3, 2023 at 10:00 a.m. (Toronto time):

To access the listen only live audio webcast, please log on to www.excocorp.com, or https://edge.media-server.com/mmc/p/mt2o36n3 a few minutes before the event. Those interested in participating in the question-and-answer conference call may register at https://register.vevent.com/register/BI566bcaba59cd4badab4493a96847b1f8 to receive the dial-in numbers and unique PIN to access the call. It is recommended that you join 10 minutes prior to the event start (although you may register and dial in at any time during the call).

For those unable to participate on August 3, 2023, an archived version will be available on the Exco website until August 18, 2023.

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About Exco Technologies Limited:

Exco Technologies Limited is a global supplier of innovative technologies servicing the die-cast, extrusion and automotive industries. Through our 20 strategic locations in 9 countries, we employ approximately 5,000 people and service a diverse and broad customer base.

Notice To Reader: Forward Looking Statements

This press release contains forward-looking information and forward-looking statements within the meaning of applicable securities laws. We may use words such as "anticipate", "may", "will", "should", "expect", "believe", "estimate", "5-year target" and similar expressions to identify forward-looking information and statements especially with respect to growth, outlook and financial performance of the Company's business units, contribution of our start-up business units, contribution of awarded programs yet to be launched, margin performance, financial performance of acquisitions, liquidity, operating efficiencies, improvements in, expansion of and/or guidance or outlook as to future revenue, sales, production sales, margin, earnings, earnings per share, including the outlook for 2026, are forward-looking statements. 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. These forward-looking statements are based on our plans, intentions or expectations which are based on, among other things, the current improving global economic recovery from the COVID-19 pandemic and containment of any future or similar outbreak of epidemic, pandemic, or contagious diseases that may emerge in the human population, which may have a material effect on how we and our customers operate our businesses and the duration and extent to which this will impact our future operating results, the impact of the Russian invasion of Ukraine on the global financial, energy and automotive markets, including increased supply chain risks, assumptions about the demand for and number of automobiles produced in North America and Europe, production mix between passenger cars and trucks, the number of extrusion dies required in North America and South America, the rate of economic growth in North America, Europe and emerging market countries, investment by OEMs in drivetrain architecture and other initiatives intended to reduce fuel consumption and/or the weight of automobiles in response to rising climate risks, raw material prices, supply disruptions, economic conditions, inflation, currency fluctuations, trade restrictions, energy rationing in Europe, our ability to integrate acquisitions, our ability to continue increasing market share, or launch of new programs and the rate at which our current and future greenfield operations in Mexico and Morocco achieve sustained profitability. Readers are cautioned not to place undue reliance on forward-looking statements throughout this document and are also cautioned that the foregoing list of important factors is not exhaustive. 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. For a more extensive discussion of Exco's risks and uncertainties see the 'Risks and Uncertainties' section in our 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 *or* www.excocorp.com.