



Source: Exco Technologies Ltd.

May 01, 2024 17:01 ET

Exco Results for Second Quarter Ended March 31, 2024

- Consolidated Sales of \$163.8 million compared to \$155.7 million the prior year quarter;
- Net Income of \$8.1 million represents a 29% increase over prior year quarter;
- EPS of \$0.21 compared to \$0.16 prior year quarter;
- EBITDA of \$21.2 million compared to \$17.8 million the prior year quarter
- Quarterly dividend of \$0.105 per common share to be paid June 28, 2024

TORONTO, May 01, 2024 (GLOBE NEWSWIRE) -- **Exco Technologies Limited (TSX-XTC)** today announced results for its second quarter of fiscal 2024 ended March 31, 2024. In addition, Exco announced a quarterly dividend of \$0.105 per common share which will be paid on June 28, 2024 to shareholders of record on June 14, 2024. The dividend is an “eligible dividend” in accordance with the Income Tax Act of Canada.

<i>(in \$ thousands except per share amounts)</i>	Three Months Ended March 31		Six Months Ended March 31	
	2024	2023	2024	2023
Sales	\$163,825	\$155,507	\$320,535	\$294,600
Net income for the period	\$8,066	\$6,288	\$13,708	\$10,811
Earnings per share:				
Basic and Diluted – Reported	\$0.21	\$0.16	\$0.35	\$0.28
EBITDA	\$21,223	\$17,841	\$39,284	\$33,022

“Exco’s second quarter results demonstrate solid progress executing upon our various growth initiatives,” said Darren Kirk, Exco’s President and CEO. “Despite challenging global macro conditions, we remain confident our results will see continued gains through the quarters ahead.”

Consolidated sales for the second quarter ended March 31, 2024 were \$163.8 million compared to \$155.5 million in the same quarter last year – an increase of \$8.3 million, or 5%.

The Automotive Solutions segment reported sales of \$85.8 million in the second quarter – an increase of \$2.7 million, or 3% from the prior year quarter. Foreign exchange rate changes increased segment sales minimally in the quarter (\$0.2 million). The sales increase was driven by the ramp up of newer programs, stable vehicle production volumes, select pricing actions to compensate for inflationary pressures as well as favorable vehicle mix. Blended vehicle production volumes in North America and Europe were essentially unchanged from the prior year quarter, indicating continued gains in content per vehicle. Looking forward, industry growth may be tempered by elevated interest rates, relatively high vehicle average transaction prices, rising dealer inventory levels, and softening global economic conditions. Nonetheless, vehicle sales remain encouraging (particularly in North America), dealer inventory levels remain well below pre-COVID-19 levels and OEM incentives are rising. Exco’s sales volumes will benefit from recent and future program launches that are expected to provide ongoing growth in our content per vehicle. Quoting activity also remains encouraging and we believe there is ample opportunity to achieve our targeted growth objectives.

The Casting and Extrusion segment reported sales of \$78.0 million for the second quarter – an increase of \$5.6 million or 8%, from the same period last year. Foreign exchange rate movements were negligible in the quarter. Demand for our extrusion tooling recovered from weaker conditions

in the prior sequential quarter in both North America and Europe due primarily to December holiday shutdowns at our customers. High interest rates have negatively influenced the building, construction and recreational vehicle extrusion end-markets, but automotive and sustainable energy extrusion end markets remain strong and we are further positioning our businesses to benefit from continued strength in these markets. We remain focused on standardizing manufacturing processes, enhancing engineering depth and centralizing critical support functions across our various plants. These initiatives have reduced lead times, enhanced product quality, expanded product breadth and increased capacity. Management is developing the benefits of its Castool greenfield locations in Morocco and Mexico which provide the opportunity to gain market share in Europe and Latin America through better proximity to local customers. In the die-cast market, which primarily serves the automotive industry, demand and order flow for new moulds, associated consumable tooling and rebuild work has increased as industry vehicle production volumes remain healthy and new electric vehicles, hybrids and more efficient internal combustion engine/transmission platforms are launched. In addition, demand for Exco's additive (3D printed) tooling continues its strong contribution as customers focus on greater efficiency with the size and complexity of die-cast tooling continuing to increase with the rising adoption of giga-presses. Sales in the quarter were also aided by price increases, which were implemented to protect margins from higher input costs. Quoting activity remains robust and our backlog for die-cast moulds remains at record levels.

Consolidated net income for the second quarter was \$8.1 million or basic and diluted earnings of \$0.21 per share compared to \$6.3 million or \$0.16 per share in the same quarter last year – an increase of net income of \$1.8 million or 29%. The consolidated effective income tax rate was 23% in the current quarter compared to 21% in the prior year quarter. The income tax rate in the quarter and year-to-date was impacted by non-deductible losses from our Castool Morocco facility, offset by geographic distribution, and foreign rate differentials.

The Automotive Solutions segment reported Pretax Profit of \$8.4 million in the second quarter, a decrease of \$0.3 million from the prior year quarter. Second quarter segment Pretax Profit increased sequentially 3% over the first quarter. Variances in period profitability were due to product mix shifts, higher raw material pricing, rising labour costs in all jurisdictions and foreign exchange headwinds. Labour costs in Mexico have been particularly challenging in recent years and are seeing added pressure in fiscal 2024 given the significant rise in minimum wage levels. Offsetting these factors were improved stability in vehicle production volumes, which have led to improvements in labour scheduling and reduced expedited shipping costs. As well, pricing action and efficiency initiatives helped temper inflationary pressures while higher volumes from new program launches improved absorption of fixed costs. Production volumes have largely stabilized from a macroeconomic and global perspective. Management is cautiously optimistic that its overall cost structure should improve margins in coming quarters. 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 \$5.5 million of Pretax Profit in the second quarter – an increase of \$1.6 million from the same quarter last year and \$1.9 million from the first quarter fiscal 2024. The Pretax Profit improvement is due to higher sales volumes within Extrusion and Large Mould groups, program pricing improvements, favorable product mix and efficiency initiatives within the Large Mould group; improved efficiency in the Extrusion die business, as well as the prior year one-time January 2023 cyber incident costs of \$0.6 million. Volumes at Castool's heat treatment operation continue to increase providing savings and improved production quality. Offsetting these cost improvements were start-up losses at Castool's greenfield operations and a \$0.7 million increase in segment depreciation associated with recent capital expenditures. Management remains focused on reducing its overall cost structure and improving manufacturing efficiencies and expects such activities together with its sales efforts should lead to improved segment profitability over time.

Corporate segment expenses were \$1.2 million in the second quarter compared to \$2.6 million in the prior year quarter. The improvement relates to current quarter foreign exchange gains partially offset by higher selling and travel costs and prior year second quarter \$1 million January 2023 cyber incident costs.

Consolidated EBITDA for the second quarter totaled \$21.2 million compared to \$17.8 million in the same quarter last year – an increase of \$3.4 million or 19%. Included in the second quarter fiscal 2023

results were \$1.6 million of costs associated with the January 2023 cyber incident. Excluding the impact of these costs, EBITDA increased 9% in the second quarter. For the quarter, EBITDA as a percentage of sales increased to 13.0% in the current period compared to 11.5% the prior year driven by an improvement in Casting & Extrusion segment margins (15.5% compared to 13.6%) and the Automotive Solutions segment decreased slightly (12.0% compared to 12.7%).

Exco generated cash from operating activities of \$17.3 million and Free Cash Flow of \$13.2 million in the quarter compared to \$6.0 million and \$1.0 million respectively in the prior year quarter. Maintenance Fixed Asset Additions were \$1.8 million and interest was \$2.2 million in the second quarter. During the quarter the Company invested \$3.4 million in growth capital expenditures, \$4.1 million in dividends, and \$0.7 million in share buybacks. Exco ended the quarter with \$16.7 million in cash, \$111.3 million in bank and long-term debt and \$40.1 million available in its credit facility, continuing Exco's practice of maintaining a strong balance sheet and liquidity position.

Outlook

By fiscal 2026, Exco is targeting to produce approximately \$750 million annual revenue, \$120 million annual EBITDA and annual EPS of roughly \$1.50. Exco has made significant progress towards achieving these targets since they were announced and continues to believe its revenue and EBITDA targets remain obtainable. These targets are 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.

Despite current macro-economic challenges, including tightening monetary conditions and strike-related production shut-downs in some North American OEM plants in September and October 2023, the overall outlook is favorable across Exco's segments into the medium term. Consumer demand for automotive vehicles remains stable in most markets. Dealer inventory levels have been increasing, while average transaction prices for both new and used vehicles are near record highs and the average age of the broader fleet has continued to increase. This bodes well for strong levels of future vehicle production and the sales opportunity of Exco's various automotive components and accessories. 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 movement towards an electrified and hybrid 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 has created significant growth drivers that are expected to persist through at least the next decade. Automotive OEMs are utilizing light-weight metals such as aluminum, in particular, 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 enhance their profitability and sustainability goals. Certain OEM manufacturers have begun utilizing much larger die cast machines to cast entire vehicle sub-frames using aluminum-based alloy rather than stamping, welding, and assembling separate pieces of ferrous metal. Exco is in discussions with several traditional OEMs and their tier providers who appear likely to follow this trend. Accordingly, Exco is positioning its operations to capitalize on these changes. Beyond the automotive industry, Exco's extrusion tooling supports diverse industrial 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 post COVID while prompt availability of various input materials, components and labour has become more challenging. The intensity of these dynamics have generally moderated in recent quarters with the exception of labour costs in Mexico, which continue to see significant increases. 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 yield results.

The Russian invasion of Ukraine and the Israeli/Palestine conflict have added additional uncertainty to the global economy. And while Exco has essentially no direct exposure to these countries, Ukraine does feed into the European automotive market and Europe has traditionally depended on

Russia for its energy needs. Similarly, the conflict in the Middle East creates the potential for a renewed rise in the price of oil and other commodities as well as logistics costs and could weigh on consumer sentiment.

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

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

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 – May 2, 2024 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/ihrxzh7> 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/B1b673dbd556554deba58e4f62aeb8f8e6> 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 May 2, 2024, an archived version will be available on the Exco website until May 16, 2024.

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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 21 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 revised 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.sedarplus.ca or www.excocorp.com.