Source: *Exco Technologies Ltd.*

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Exco Results for Third Quarter Ended June 30, 2024

- **Consolidated Sales of $161.8 million compared to $164.6 million the prior year quarter;**
- **Net Income of $8.1 million represents a 31% increase over prior year quarter;**
- **EPS of $0.21 compared to $0.16 prior year quarter:**
- **EBITDA of $22.3 million compared to $18.6 million the prior year quarter**
- **Quarterly dividend of $0.105 per common share to be paid September 27, 2024**

TORONTO, July 31, 2024 (GLOBE NEWSWIRE) -- **Exco Technologies Limited (TSX-XTC)** today announced results for its third quarter of fiscal 2024 ended June 30, 2024. In addition, Exco announced a quarterly dividend of $0.105 per common share which will be paid on September 27, 2024 to shareholders of record on September 13, 2024. 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)				
	2024	2023	**2024**	2023
Sales	**$161,809**	$164,551	**$482,344**	$459,151
Net income for the period	**$8,176**	$6,263	**$21,884**	$17,074
Earnings per share:				
Basic and Diluted – Reported	**$0.21**	$0.16	**$0.56**	$0.44
EBITDA	**$22,257**	$18,567	**$61,541**	$51,589

"I am delighted to report that Exco achieved very strong results again this quarter, chalking up our seventh straight quarter of year over year increases in both EBITDA and EPS", said Darren Kirk, Exco's President and CEO. "We expect to achieve continued gains in the quarters ahead as we focus on realizing the benefits of our strategic initiatives and further strengthening our returns on capital. It is truly exciting to see the pace of innovation happening across Exco as we leverage advanced engineering, A.I. and machine learning to stay ahead of global competition and significantly enhance our productivity and efficiency. I want to extend my gratitude to all of my Exco teammates for their hard work, dedication and working safely to achieve these results and continuously innovating to further improve Exco's competitive position."

Consolidated sales for the third quarter ended June 30, 2024 were $161.8 million compared to $164.6 million in the same quarter last year – a decrease of $2.8 million, or 2%. The impact of foreign exchange rate changes increased sales $1.9 million in the quarter.

The Automotive Solutions segment reported sales of $82.9 million in the third quarter – a decrease of $3.3 million from the prior year quarter. Foreign exchange rate changes increased segment sales in the quarter by $1.1 million. The modest sales decrease was driven by customer driven delays in certain program launches, unfavorable vehicle mix and slightly lower blended vehicle production volumes in North America and Europe compared to the prior year quarter. Looking forward, industry growth may be tempered near term by traditional summer shut-downs at OEM production facilities, elevated interest rates tempering vehicle sales, relatively high vehicle average transaction prices, rising dealer inventory levels, and softening global economic conditions. Notwithstanding these expected impacts, vehicle sales remain encouraging, dealer inventory levels remain below pre-COVID-19 levels, the vehicle fleet continues to age, and OEM incentives are rising. Exco's sales volumes will nonetheless benefit from awarded 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 $78.9 million for the third quarter – an increase of $0.5 million from the same period last year. Foreign exchange rate movements increased segment sales by $0.8 million in the quarter. Demand for our extrusion tooling remains strong in both North America and Europe. High interest rates negatively influenced the building, construction and recreational vehicle extrusion end-markets in prior quarters, but the construction end-market has improved more recently while demand within the automotive market has continued to gain momentum and sustainable energy end markets remain strong. 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, contributing to share gains in our core markets. Management is also developing 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 tooling market, which primarily serves the automotive industry, demand and order flow for new moulds, associated consumable tooling and rebuild work remained firm during the quarter, though slowed slightly from recent activity. Industry vehicle production volumes remain healthy and new, more efficient internal combustion engine/transmission platforms are being launched, including an increase in hybrid powertrain platforms. Battery electric platforms continue to be developed, albeit at a slower pace compared to prior expectations. Demand for associated giga-sized tooling has similarly pulled back, although management continues to expect this market segment will see significant growth in the coming years. We have reworked our plants and equipment to accommodate this larger tooling and believe we have the most advanced capabilities among our competitors globally. We also continue to invest heavily to bolster our leading market position in 3D printing, recently acquiring our sixth additive printer. As well, our pace of innovation within this market is clearly gaining momentum, yielding more and more applications for our additively printed tooling components. Consequently, demand for Exco's 3D printed tooling continues to grow strongly as customers focus on greater efficiency in all large mould size segments – ie for both giga and non-giga sized die-cast machines. Sales in the quarter were also aided by price increases, which were implemented to protect margins from higher input costs. Quoting remains very active and our backlog for die-cast moulds remains elevated relative to historical norms.

Consolidated net income for the third quarter was $8.2 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 $1.9 million or 30%. The consolidated effective income tax rate was 27% in the current quarter compared to 26% in the prior year quarter. The income tax rate in the quarter was impacted by non-deductible losses, geographic distribution, and foreign rate differentials.

The Automotive Solutions segment reported Pretax Profit of $8.1 million in the third quarter, a decrease of $0.8 million from the prior year quarter. Variances in period profitability were due to slightly lower sales, product mix shifts, higher raw material pricing, rising labour costs in all jurisdictions and foreign exchange movements. Labour costs in Mexico have been particularly challenging in recent years and are seeing added pressure in fiscal 2024 given the significant rise in wages. Vehicle production volumes however remain relatively stable, which has led to improvements in labour scheduling and reduced expedited shipping costs. As well, pricing action and efficiency initiatives continued to temper inflationary pressures. Although production volumes have largely stabilized from a macroeconomic and global perspective from recent years, volumes in this segment's fourth quarter are expected to follow typical seasonality trends due to OEM summer shutdowns. Apart from these specific impacts, management is cautiously optimistic that its overall cost structure should improve margins in coming quarters. Pricing discipline remains a focus and actions are 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 $7.1 million of Pretax Profit in the third quarter – an increase of $3.1 million or 77% from the same quarter last year and $1.6 million from the second quarter fiscal 2024. The Pretax Profit improvement is due to higher sales volumes within the extrusion end markets, program pricing improvements, favorable product mix, and efficiency initiatives across the segment, including the ongoing use of lean manufacturing and automation to improve productivity through standardization and waste elimination. As well, volumes at Castool's heat treatment operation continue to increase providing savings and improved production quality while efficiency initiatives at Halex are being realized. Offsetting these cost improvements were ongoing start-up losses at Castool's greenfield operations and an increase in segment depreciation ($0.7 million for the quarter) 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 $1.9 million in the third 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.

Consolidated EBITDA for the third quarter totaled $22.3 million compared to $18.6 million in the same quarter last year – an increase of $3.7 million or 20%. Year-to-date, consolidated EBITDA totaled $61.5 million compared to $51.6 million last year – an increase of $9.9 million or 19%. For the quarter, EBITDA as a percentage of sales increased to 13.8% in the current period compared to 11.3% the prior year driven by an improvement in Casting & Extrusion segment margins (17.8% compared to 13.1%) and the Automotive Solutions segment decreased slightly (12.1% compared to 12.6%).

Exco generated cash from operating activities of $22.7 million and Free Cash Flow of $15.9 million in the quarter compared to $23.7 million and $16.9 million respectfully in the prior year quarter. Maintenance Fixed Asset Additions were $4.7 million and interest was $2.1 million in the third quarter. During the quarter the Company invested $3.2 million in growth capital expenditures, paid $4.1 million in dividends, and used $1.0 million for share buybacks. Exco ended the quarter with $20.3 million in cash, $107.4 million in bank and long-term debt and $44.0 million available in its credit facility, continuing its 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 targets remain obtainable. These targets are expected to be achieved through returns on greenfield and strategic initiatives, 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 slightly elevated unemployment, high interest rates, and the potential for a recession, 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 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 ("giga-presses") 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 has positioned 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.

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"). A reconciliation to these non-GAAP measures is provided within this MD&A. 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 represent management's estimate of the investment in fixed assets that is 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) in recent years, the Company has modified its calculation of Free Cash Flow to include Maintenance Fixed Asset Additions 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 1, 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/pq7nf726 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/BI4875917e092447068fa522053dc93804 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 1, 2024, an archived version will be available on the Exco website until August 17, 2024.

Source:	Exco Technologies Limited (TSX-XTC)
Contact:	Darren Kirk, President and CEO
Telephone:	(905) 477-3065 Ext. 7233
Website:	https://www.excocorp.com

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.