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Exco Technologies Limited Announces Results for Fourth Quarter and Year Ended September 30, 2024

- **Record annual Sales of $637.8 million**
- **Fourth quarter Sales of $155.4 million, Net Income of $7.7 million and EPS of $0.20**
- **Fourth quarter EBITDA[1] of $20.6 million, 13.3% of sales**
- **Free Cash Flow[1] of $21.7 million for the quarter and $53.8 million for the year**
- **Quarterly dividend of $0.105 per common share to be paid December 31, 2024**

TORONTO, Nov. 27, 2024 (GLOBE NEWSWIRE) -- **Exco Technologies Limited (TSX-XTC)** today announced results for its fourth quarter and year ended September 30, 2024. In addition, Exco announced a quarterly dividend of $0.105 per common share which will be paid on December 31, 2024 to shareholders of record on December 17, 2024. The dividend is an “eligible dividend” in accordance with the Income Tax Act of Canada.

	Three Months Ended September 30		Twelve Months Ended September 30	
(in $ thousands except per share amounts)				
	2024	2023	**2024**	2023
Sales	**$ 155,447**	$ 160,152	**$ 637,791**	$ 619,303
Net income for the period	**$ 7,734**	$ 9,210	**$ 29,618**	$ 26,284
Earnings per share:				
Basic and Diluted – Reported	**$ 0.20**	$ 0.24	**$ 0.76**	$ 0.68
EBITDA[1]	**$ 20,620**	$ 22,901	**$ 82,161**	$ 74,490

[1] Free Cash Flow and EBITDA are non-GAAP financial measures. Please see “Non IFRS Measures” section of this press release and separately released MD&A.

“Exco delivered resilient results despite challenging market conditions, showcasing progress in innovation and operational improvements. While automotive headwinds impacted our performance this quarter, we remain exceptionally well positioned for strong earnings growth in the coming years.”

Consolidated sales for the fourth quarter ended September 30, 2024 were $155.4 million compared to $160.2 million in the same quarter last year – a decrease of $4.7 million, or 3%. Foreign exchange rate movements increased sales by $2.6 million in the quarter.

Fourth quarter sales in the Automotive Solutions segment of $79.2 million were down 10% from the prior year quarter. Excluding the impact of foreign exchange, segment sales decreased $9.8 million, or 11%. The sales decrease was driven by lower automotive production volumes in North America and Europe, customer driven delays in certain program launches, and unfavorable vehicle mix. Looking forward, industry growth may be tempered near term by increasing OEM inventory levels, elevated interest rates, relatively high vehicle average transaction prices, and softening global economic conditions. Countering these headwinds, central banks are lowering interest rates, vehicle sales have remained resilient, dealer inventory levels remain below pre-COVID-19 levels, vehicle fleets continue to age, and OEM incentives are rising. As well, Exco’s sales volumes are expected to benefit from awarded program launches that should 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 recorded sales of $76.3 million in the fourth quarter compared to $72.6 million last year – an increase of $3.7 million or 5%. Excluding the impact of foreign exchange movements, the segment's sales were up 3% for the quarter. Demand for our extrusion tooling remained relatively resilient in both North America and Europe, though activity slowed through the quarter with key end markets such as building and construction as well as automotive showing signs of softer conditions. Other end markets such as sustainable energy however remain firm. 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 continues to develop its Castool Morocco and Mexico locations 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 relatively 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. Our leading market 3D printing group continued strong sales activity supported by six additive printers. 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.

The Company's fourth quarter consolidated net income decreased to $7.7 million or earnings of $0.20 per share compared to $9.2 million or earnings of $0.24 per share in the same quarter last year. The effective income tax rate was 26% in the current quarter compared 25% in the same quarter last year. The change in income tax rate in the quarter was impacted by geographic distribution, foreign tax rate differentials and losses that cannot be tax affected for accounting purposes.

Fourth quarter pre-tax earnings in the Automotive Solutions segment totalled $7.8 million, a decrease of $2.1 million or 22% over the same quarter last year. Variances in period profitability were due to lower sales, product mix shifts, 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 given the significant rise in wages. Vehicle production volumes and product releases 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 the segment's first quarter are expected to follow typical seasonality trends due to OEM December holidays. 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.

Fourth quarter pre-tax earnings in the Casting and Extrusion segment totalled $6.3 million, an increase of $1.0 million or 18% over the same quarter last year. The Pretax Profit improvement is due to higher sales volumes within the die-cast and 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). In addition, volumes at Castool's heat treatment operation continue to increase providing savings and improved production quality while efficiency initiatives at Halex are progressing. Offsetting these cost improvements were ongoing start-up losses at Castool's greenfield operations and an increase in segment depreciation ($0.5 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.

The Corporate segment in the fourth quarter recorded expenses of $2.0 million compared to $0.8 million last year was primarily due mainly to higher foreign exchange gains in fiscal 2023. As a result of the foregoing, consolidated EBITDA in the quarter was $20.6 million (13.3% of sales) compared to $22.9 million (14.3% of sales) last year.

Operating cash flow before net changes in working capital was $16.7 million in the quarter compared to $23.5 million in the prior year quarter. The primary drivers on operating cash flow include a $5.0 million change in deferred income taxes, lower net income and interest expense. Fourth quarter net change in non-cash working capital contributed $12.2 million of cash compared to $5.9 million cash used in fiscal 2023. Improvements to working capital were driven primarily by lower accounts receivable due to management's focus on collections throughout the year, slightly lower fourth quarter sales, and due to customer payment delays in 2023 due to the UAW strike. This improvement was partially offset by lower accounts payable reflecting significant payables in the prior year. Investment in fixed assets of $8.7 million compared to $9.6 million in the prior year quarter. Included in the current year quarter is $3.3 million in growth capital. The difference relates to timing of equipment purchases and the completion of major projects from the prior year. Exco ended the quarter with $73.4 million in net debt compared to $94.2 million in the prior year. The Company has $46.5 million in available liquidity under its banking facilities at year end.

Outlook

By the end of 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 in Fiscal 2021 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 increasing levels of unemployment, relatively high interest rates, persistent inflation, policy shifts which may occur related to the US election, the overall outlook is favorable across Exco's segments into the medium term. Consumer demand for automotive vehicles remains stable in most markets. And while dealer inventory levels have been increasing, average transaction prices for both new and used vehicles remain firm, incentives are increasing 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. While the growth of EV's in North America and Europe has been delayed from prior expectations, contributing to a slower adoption of giga-presses, Exco nonetheless continues to expect these trends will occur and has positioned its operations to capitalize accordingly. 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 Middle East 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 sustainability trends to ensure its operations meet expectations. 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 Fourth Quarter 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, Net Debt, 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. Net Debt represents the Company's consolidated net indebtedness position offsetting cash from bank indebtedness, current and long-term debt. It is calculated as Long-term debt plus Current portion of Long-term debt plus Bank indebtedness less Cash and cash equivalents. 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 – November 28, 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/uhc9kb7y 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/BI0b9a8a1a5faa4319852e59164c5fc3d3 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 November 28, 2024, an archived version will be available on the Exco website until December 15, 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 *global economic recovery from any future 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 international conflicts 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, recoverability of capital assets, goodwill and intangibles (based on numerous assumptions inherently uncertain), and cyber security and its impact on Exco's operations. 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.*