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Exco Technologies Limited Announces Results for First Quarter Ended December 31, 2024

- **Consolidated Sales of $146.6 million compared to $156.7 million the prior year**
- **Net Income of $4.2 million**
- **EPS of $0.11 compared to $0.15 last year**
- **EBITDA of $16.7 million compared to $18.1 million the prior year quarter**
- **Quarterly dividend of $0.105 per common share to be paid March 31, 2025**

TORONTO, Jan. 29, 2025 (GLOBE NEWSWIRE) -- **Exco Technologies Limited (TSX-XTC)** today announced results for its first quarter ended December 31, 2024. In addition, Exco announced a quarterly dividend of $0.105 per common share which will be paid on March 31, 2025 to shareholders of record on March 17, 2025. The dividend is an “eligible dividend” in accordance with the Income Tax Act of Canada.

	Three Months Ended December 31	
(in $ thousands except per share amounts)		
	2024	2023
Sales	**$143,568**	$156,710
Net income for the period	**$4,245**	$5,642
Earnings per share: Basic and Diluted	**$0.11**	$0.15
EBITDA	**$16,711**	$18,061

“While our first quarter presented headwinds, particularly in the automotive sector due to production adjustments, we remain confident in our long-term strategy. The underlying demand for our products remains strong, supported by secular trends like the increasing use of aluminum in many industries and the growth of OEM vehicle accessories. We remain focused on operational efficiency, innovation, and leveraging our recent strategic investments to capitalize on these trends and drive growth consistent with our previously stated targets,” said Darren Kirk, Exco’s President and CEO.

Consolidated sales for the first quarter ended December 31, 2024 were $143.6 million compared to $156.7 million in the same quarter last year – a decrease of $13.1 million or 8%. Foreign exchange rate movements increased sales $4.4 million in the quarter primarily due to the strengthening US dollar compared to the Canadian dollar.

The Automotive Solutions segment reported sales of $72.1 million in the first quarter – a decrease of $10.9 million, or 13% from the same quarter last year. Foreign exchange rate changes increased sales by $2.4 million. The sales decrease was driven by lower automotive production volumes in North America and Europe, customer driven delays in certain program launches, unfavorable vehicle mix, extended OEM customer plant shutdowns during the month of December and de-stocking of certain accessory products in the inventory channel. Industry growth may be tempered near term by softening global economic conditions and the potential impact of US tariffs. Countering these challenges, central banks have lowered interest rates and are expected to further decline over the next 12 months, vehicle sales have remained resilient, dealer inventory levels declined due to strong sales and production cuts in the last quarter, vehicle fleets continue to age, 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 $71.4 million in the quarter – a decrease of $2.2 million, or 3% from the same period last year. Foreign exchange rate changes increased sales by $2.0 million. Demand for our extrusion tooling declined marginally in the quarter as the continued impact of higher interest rates and recessionary conditions in certain end markets such as building and construction and recreational vehicles caused an overall reduction in demand from extruders. Demand for capital equipment sold by Castool within the extrusion markets (such as containers and die ovens) was relatively stable as extruders focus on various efficiency and sustainability initiatives. Exco's management remains focused on standardizing manufacturing processes, enhancing engineering depth and centralizing critical support functions across its various plants. As well, management is focused on developing the benefits of its new locations in Morocco and Mexico which provide the opportunity to expand market share in Europe and Latin America through better proximity to local customers. These initiatives have reduced lead times, enhanced product quality, expanded product breadth and increased capacity, contributing to market share gains. In the die-cast market, which primarily serves the automotive industry, demand was softer for new moulds, associated consumable tooling (shot sleeves, rods, rings, tips, etc.) and rebuild work as industry vehicle production declined and new electric vehicles and more efficient internal combustion engine/transmission platforms move ahead slowly as industry participants assess the impact of potential regulatory issues resulting from the US political landscape. 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, helped by the rising adoption of giga-presses. Sales in the quarter were partially supported by price increases, which were implemented to protect margins from higher input costs. Quoting activity remains very encouraging and our backlog for die cast moulds remains healthy, though is off recent highs.

The Company's first quarter consolidated net income decreased to $4.2 million or earnings of $0.11 per share compared to $5.6 million or earnings of $0.15 per share in the same quarter last year. The effective income tax rate was 35.8% in the current quarter compared 23.6% 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.

The Automotive Solutions segment reported pretax profit of $4.8 million in the quarter – a decrease of $3.4 million, or 41% over the same quarter last year. The negative variance in the first quarter was due to lower sales, adverse product and vehicle mix shifts, and rising labour costs in all jurisdictions. Labour costs in Mexico have been particularly challenging in recent years and are seeing added pressure given the significant rise in wages. In North America, OEMs appeared to be managing inventory levels down with production stoppages and extended December shutdowns despite strong consumer sales levels. Whereas in Europe, production volumes declined to reflect lower sales activities as well as to clear out inventory levels in response to pending environmental mandates. Apart from these specific impacts, management is cautiously optimistic that its overall cost structure should improve margins as production volumes are expected to rebound to match vehicle sales figures in the future. Pricing discipline remains a focus and action is being taken where possible - especially on new programs that are priced to reflect management's expectations for higher future costs.

The Casting and Extrusion segment reported $3.7 million of pretax profit in the quarter – an increase of $0.2 million or 4% from the same quarter last year. The pretax profit improvement is due to 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 as foreign exchange rate gains from balance sheet impacts. 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 losses at Castool's greenfield operations and an increase in segment depreciation ($0.1 million for the quarter) associated with recent capital expenditures. In addition, volumes were uneven through the quarter, with levels of activity in December being lower than normal as customers extended plant shutdowns through the holiday period in response to weaker market conditions. 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 expenses were $0.4 million in the quarter compared to $2.2 million in the prior year quarter due primarily to foreign exchange gains relating to the strengthening US dollar on balance sheet accounts. Consolidated EBITDA for the first quarter totaled $16.7 million compared to $18.1 million in the same quarter last year. EBITDA as a percentage of sales increased to 11.6% in the current quarter compared to 11.5% the prior year.

Operating cash flow before net changes in working capital was $14.4 million in the quarter compared to $16.5 million in the prior year quarter. The $2.1 million reduction was driven by a $1.4 million decrease in net income and a $0.7 million decrease in interest expense. Non-cash working capital consumed $4.0 million of cash in the quarter compared to $3.6 million in the same quarter last year. The non-cash working capital changes were driven by lower accounts payable and accruals partially offset by lower accounts receivable from improved collections and lower quarterly sales. Investment in fixed assets of $7.7 million compared to $11.9 million in the prior year quarter. Included in the current quarter was $2.5 million in growth capital. The change in capital expenditures reflects the timing of equipment deliveries. Exco ended the quarter with $76.5 million in net debt (long-term debt and bank indebtedness net of cash). The Company had $55.8 million in available liquidity under its banking facilities at December 31, 2024.

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, and 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 required production adjustments in recent quarters, 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.

For further information and prior year comparison please refer to the Company's First 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 – January 30, 2025 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/op8dmkn5 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/BIa80706db716243a3a2ca1e49ff99cbb4 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 January 30, 2025, an archived version will be available on the Exco website until February 14, 2025.

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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 fiscal 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.