



*Technologies Limited*



# Q2 F2019 Earnings Call

May 2, 2019

# Cautionary Statement



Information in this presentation relating to projected growth and financial performance of the Company's business units, contribution of our greenfield business units, margin performance and operating efficiencies are forward-looking statements.

Readers are cautioned not to place undue reliance on forward-looking statements made during this presentation referring to growth and financial performance of the Company's business units, margin, operating improvement, capital expenditures and acquisitions because these plans, intentions or expectations are based on, among other things, assumptions about the number of automobiles produced in North America and Europe, the number of extrusion dies required in North America and South America, the rate of economic growth in North America and Europe and emerging markets, investment by OEMs in drivetrain and structural part architecture and other initiatives intended to reduce fuel consumption and/or the weight of automobiles, raw material prices, general economic conditions and currency fluctuations. 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. For a more extensive discussion of Exco's risks and uncertainties see the 'Risks and Uncertainties' section in the 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](http://www.sedar.com) and [www.excocorp.com](http://www.excocorp.com).

While Exco believes that the expectations expressed by such forward-looking statements are reasonable, we cannot assure that they will be correct. In evaluating forward-looking information and statements, readers should carefully consider the various factors which could cause actual results or events to differ materially from those indicated in the forward-looking information and statements. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, 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.



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**Darren Kirk**  
Chief Executive Officer

# Q2 F2019 Operations Overview



## Key Highlights in the Quarter – Automotive Solutions

- Exco relinquished control over ALC and trustee has taken over
  - ALC was de-consolidated from Exco's Income Statement effective January 1, 2019
- Overall industry vehicle production down approximately 4% in N.A and 5% in Europe
- Segment revenue (excluding ALC and Foreign Exchange rate movements) essentially flat year over year
- Polydesign and Neocon recorded strong sales growth with intense program launch activity
- Remain focused on higher margin activity; curtailment of uneconomic programs modestly suppressed revenues, particularly at AFX
- New product initiatives and bidding activity remain good across the segment
- Morocco continues to see an influx of quoting activity for immediate (take-over) business

# Q2 F2019 Operations Overview



## Key Highlights in the Quarter – Automotive Solutions

- Profitability negatively impacted by a number of items:
  - Illegal strike and settlement in Matamoros, MX has increased labour costs for Polytech and AFX
    - Bonus payments to production staff will continue through remainder of F2019
    - Two weeks of production downtime resulted in expedited freight and overtime costs
  - Severance costs associated with improving overall efficiency
  - Front-end program launch inefficiencies, primarily at Polydesign and Neocon
- Isolated pricing and raw material cost pressures continue, although much less pronounced than in F2018
- Expect the aggregate of the above factors will dissipate through the remainder of the year

# Q2 F2019 Operations Overview



## Key Highlights in the Quarter – Casting & Extrusion

### Extrusion Group

- North American extrusion market remains generally robust, though growth has slowed somewhat in latest quarter
- Stronger sales versus prior year quarter from most of the group's plants
- US steel tariffs are beginning to recede as exemptions are granted
- Mexico plant began commercial production April 1/19; orderbook build rate is encouraging
  - New plant recorded modest losses in Q2; will contribute sales in Q3
- Plant harmonization initiative essentially complete; plenty of opportunity to realize further gains
- Multi-plant footprint provides significant competitive benefits, enabling faster-than-market growth

# Q2 F2019 Operations Overview



## Key Highlights in the Quarter – Casting & Extrusion

### Castool Group

- Innovative portfolio of products well positioned – gaining market share
- Sales of capital equipment remain strong, though consumable component demand softened in Q2
  - Asia is particularly slow due to general economic conditions and re-direction of Chinese supply following implementation of US tariffs
  - Mix shift has adversely impacted margins
  - Quoting activity remains high in most markets
  - Consumable component sales have rebounded in the month of April
- Plan to break ground on 20,000 square foot Uxbridge addition May, 2019 to provide incremental capacity
- Land for group's third plant has been identified - in Morocco
  - Will enable Castool to better penetrate European market

# Q2 F2019 Operations Overview



## Key Highlights in the Quarter – Casting & Extrusion

### Large Mould Group

- Volumes softer due to completion/ wind-down of uneconomic programs and customer timing requirements
- Quoting activity is very robust; industry pricing remains stable
- Have added first-time customers during the quarter; discussions with many more remain ongoing
- Efficiency improvement continues with new manufacturing cell
- Additive manufacturing capability providing a clear benefit
  - Exco Engineering 2019 PACE Award winner for 3D Printed Die Components
- Backlog remains solid





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**Drew Knight**  
Chief Financial Officer

# Q2 F2019 Financial Overview



## Consolidated Results Versus Prior Year Period

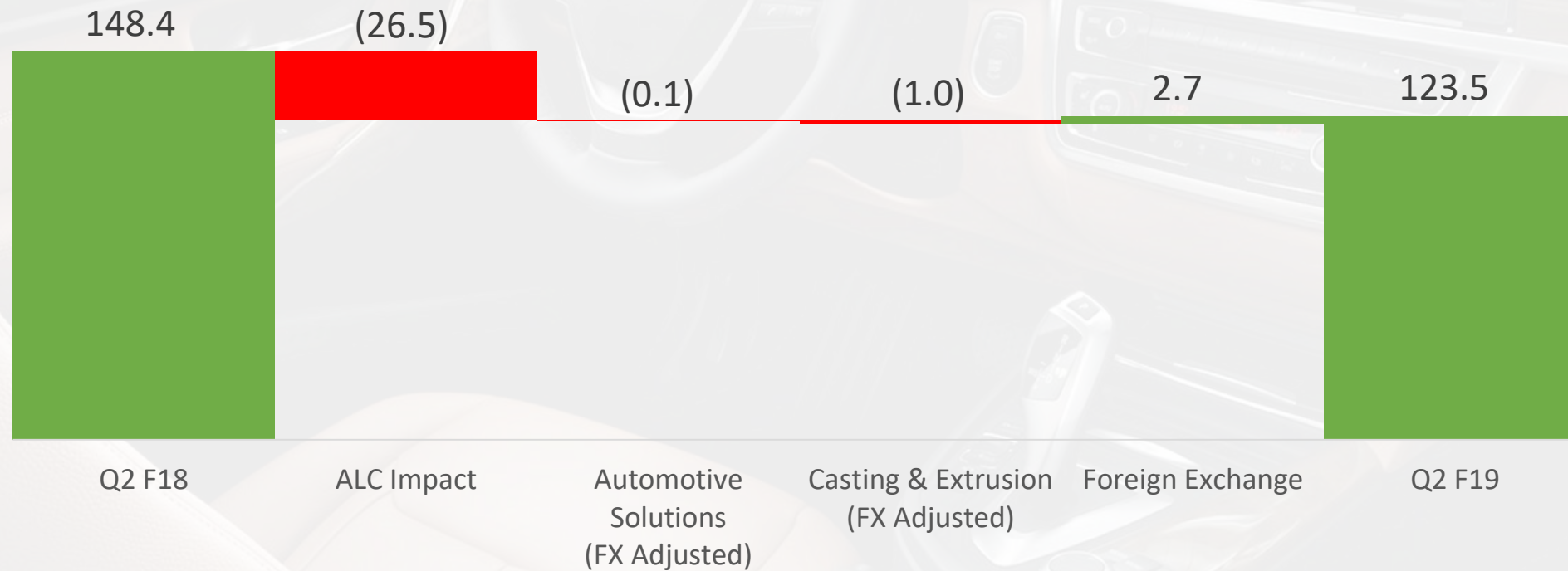
- Revenue of \$123.5; down \$24.9 or 17% essentially entirely due to deconsolidation of ALC
- EBITDA of \$16.3M; down \$2.7M or 14%, mostly due to higher costs in the Automotive Solutions segment
- Casting and Extrusion segment revenues down 2% and EBITDA down by 5% (both before FX moves)
- Automotive Solutions segment revenues down 18% and EBITDA down by 17% (both before FX moves)
- EPS of \$0.21 versus \$0.25; Adjusted EPS \$0.22 versus \$0.25
  - Adjustment adds back \$0.3M of costs related to ALC deconsolidation
  - Prior year quarter EPS included \$2M (\$0.05/ share) of ALC operating losses
  - Current year quarter EPS included ~\$2M (\$0.05/ share) of strike settlement/ disruption costs
- Free cash flow of \$8.2 million in the quarter; repurchased shares of \$1.9 million
- Balance sheet in a \$6.3 million net debt position

# Q2 F2019 Financial Overview



## Consolidated Revenue Reconciliation

C\$ Millions

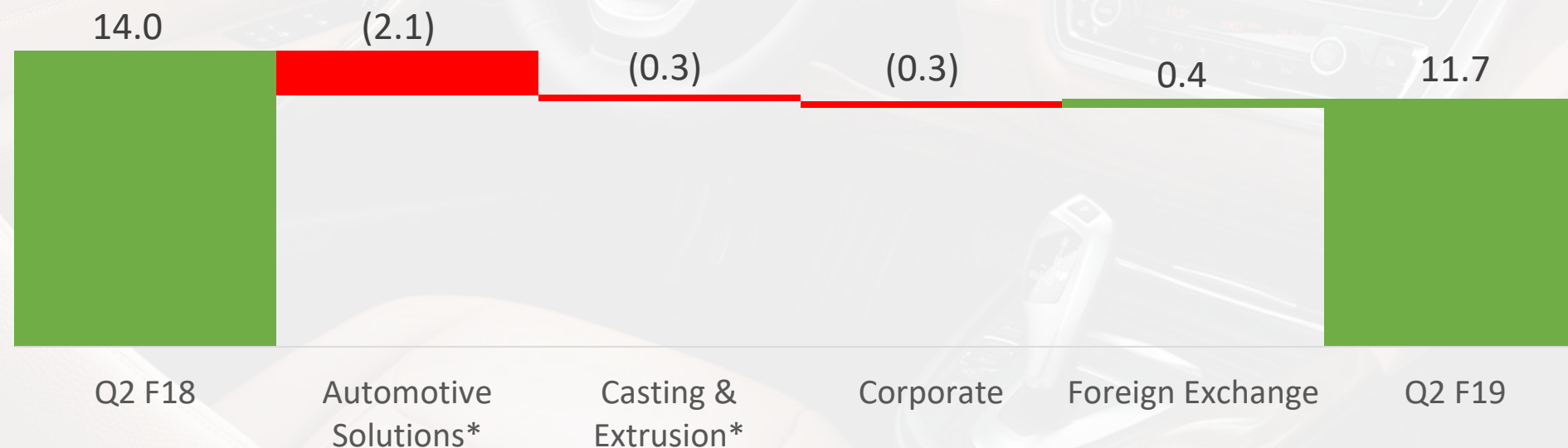


# Q2 F2019 Financial Overview



## Consolidated PTP Reconciliation (Before Interest and Other Expense)

C\$ Millions



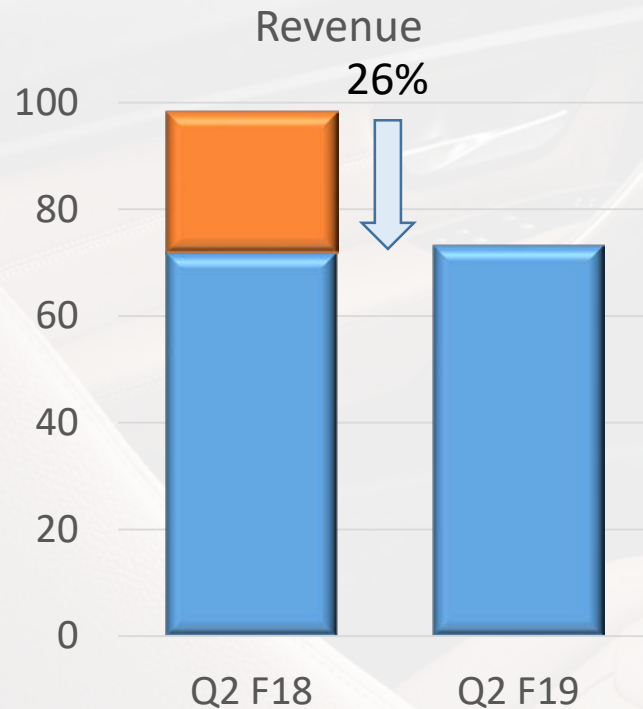
\* FX Adjusted

# Automotive Solutions Segment

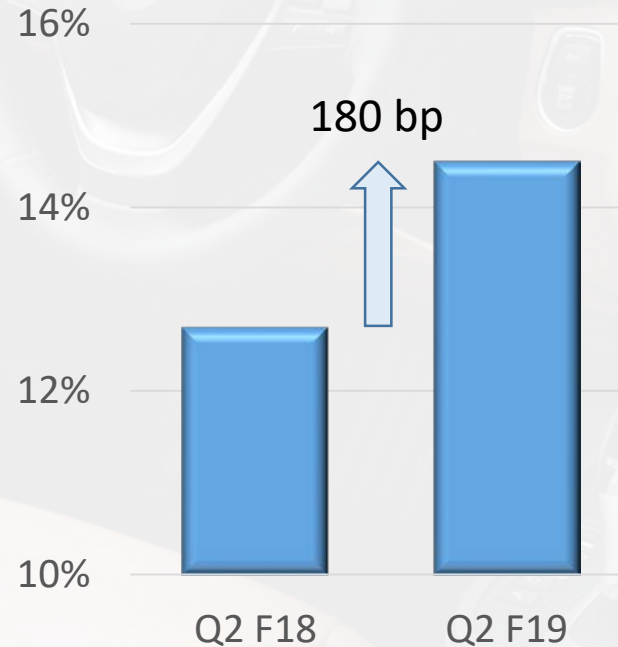


Revenues essentially flat excluding ALC but higher costs reduced EBITDA

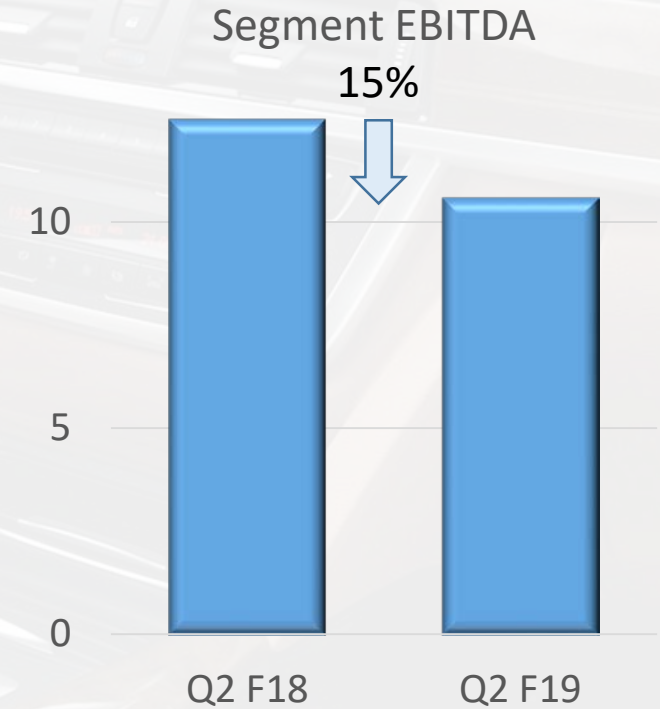
C\$ Millions




Segment EBITDA Margin



C\$ Millions



 Revenues from ALC in Q2 F18

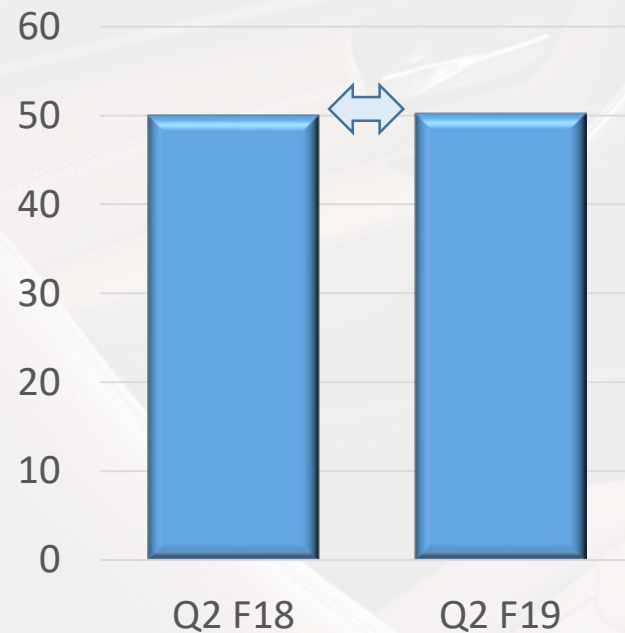
# Casting & Extrusion Segment



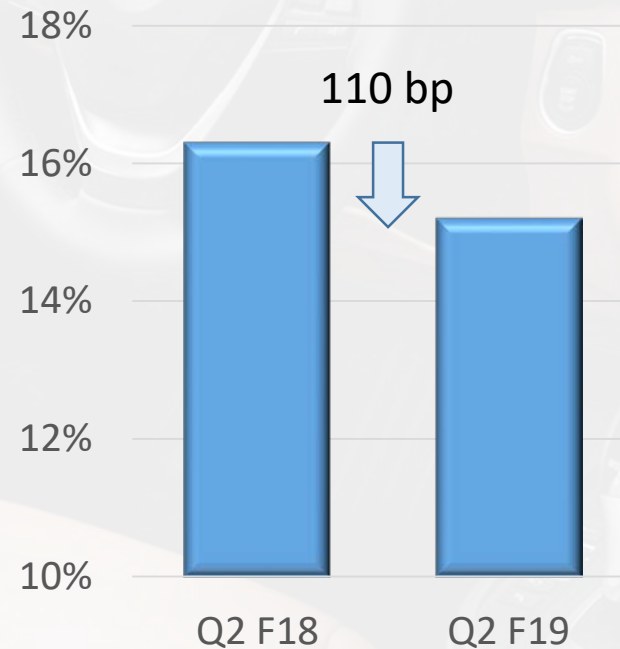
Segment EBITDA down mostly on higher S,G&A and FX movements

C\$ Millions

Revenue

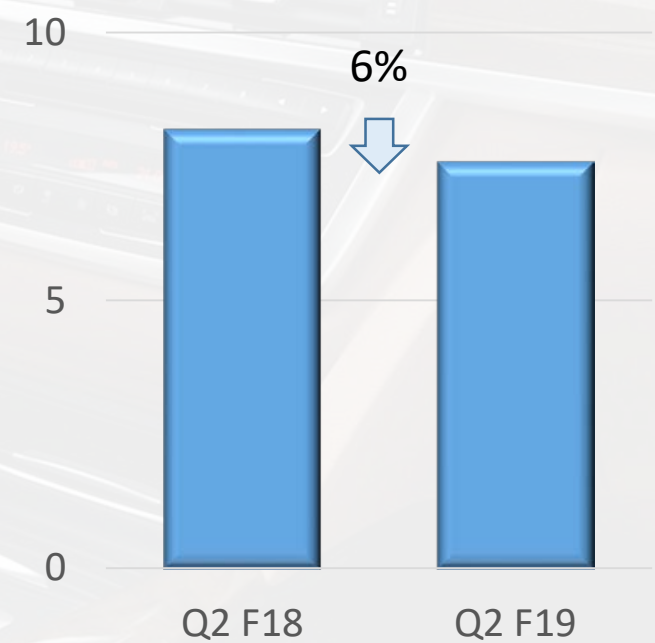


Segment EBITDA Margin



C\$ Millions

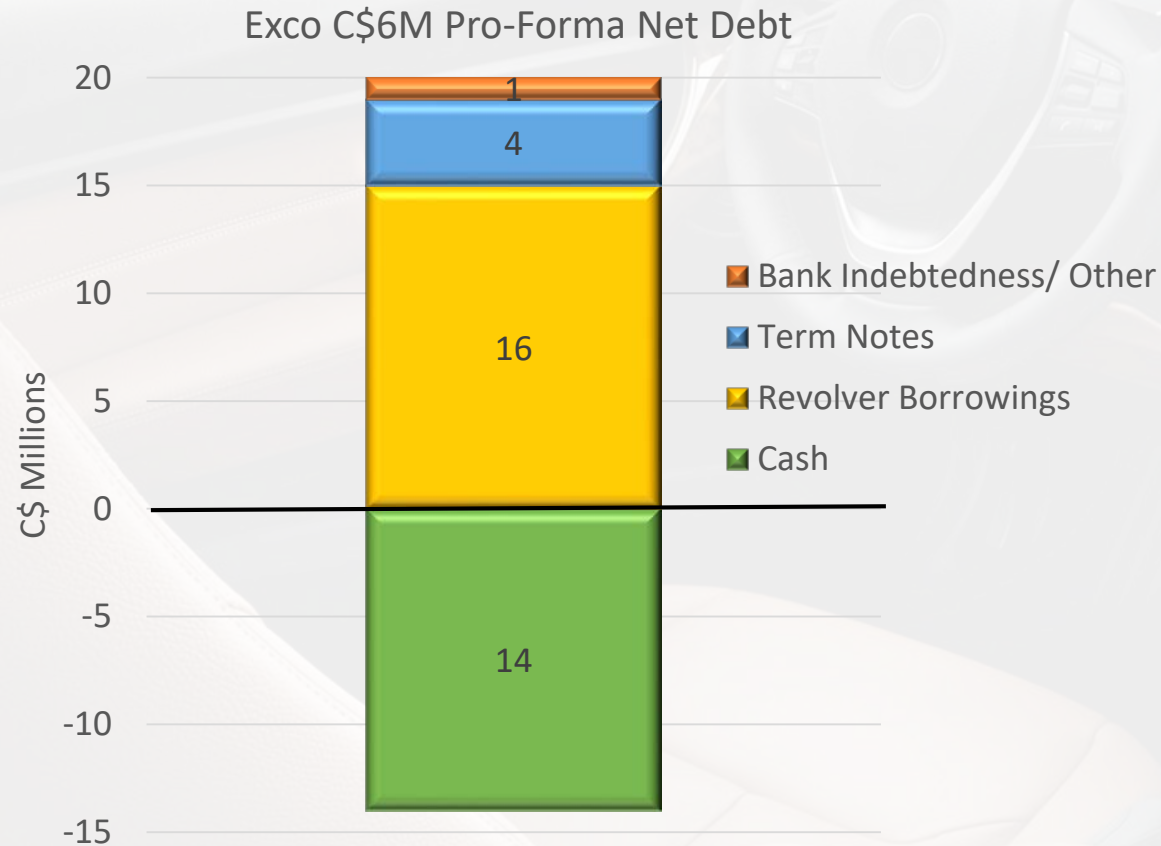
Segment EBITDA



# Pro-Forma Financial Leverage & Liquidity



Net Debt/ LTM Q2F19 EBITDA of 0.1x



- LTM Q2F19 of C\$75M
- C\$50M committed revolver matures February 2021; \$35M available
- Balance sheet cash of \$14M
- Consistent free cash flow generation
- Near term free cash flow will be directed towards debt repayment, increasing cash reserves and share repurchase activity

# Questions







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