Exco Technologies Limited
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NEWS RELEASE

EXCO TECHNOLOGIES LIMITED ANNOUNCES RESULTS FOR FOURTH QUARTER AND YEAR ENDED SEPTEMBER 30, 2023

- **Record annual Sales of $619.3 million**
- **Fourth quarter Sales of $160.2 million compared to $140.4 million the prior year**
- **Quarterly Net Income of $9.2 million represents a 65% increase over prior year**
- **Fourth quarter EPS of $0.24 compared to $0.14 last year**
- **EBITDA of $22.9 million compared to $16.5 million the prior year quarter**
- **Confirms F2026 Revenue and EBITDA Targets of $750 million and $120 million; revises F2026 EPS Target to $1.50**
- **Quarterly dividend of $0.105 per common share to be paid December 29, 2023**

Toronto, November 29, 2023 - Exco Technologies Limited (TSX-XTC, OTCQX-EXCOF) today announced results for its fourth quarter and year ended September 30, 2023. In addition, Exco announced a quarterly dividend of $0.105 per common share which will be paid on December 29, 2023 to shareholders of record on December 15, 2023. 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)				
	2023	2022	**2023**	2022
Sales	**$160,152**	$140,411	**$619,303**	$489,943
Net income for the period	**$9,210**	$5,569	**$26,284**	$18,966
Earnings per share:				
Basic and Diluted – Reported	**$0.24**	$0.14	**$0.68**	$0.49
EBITDA	**$22,901**	$16,538	**$74,490**	$53,017

"Exco's F2023 results clearly demonstrate our aggressive growth strategy is on the right track", said Darren Kirk, Exco's President and CEO. "In addition to substantial financial growth we pushed operational excellence throughout our businesses again this year. It is truly inspiring to see the numerous examples of innovation in both products and processes happening across Exco which I'm confident will propel us towards our lofty growth ambitions. I want to thank all Exco employees for their continued dedication to innovation, efficiency and excellence - the driving force behind our success".

Consolidated sales for the fourth quarter ended September 30, 2023 were $160.2 million compared to $140.4 million in the same quarter last year – an increase of $19.7 million, or 14%. Foreign exchange rate movements increased sales by $4.8 million in the quarter.

The Automotive Solutions segment experienced a 33% increase in sales, or an increase of $21.6 million, to $87.6 million from $66.0 million in the fourth quarter of 2022. Excluding the impact of foreign exchange, segment sales increased $19.2 million, or 30%. Sales increased at all four of the segment's operations. The sales increase was primarily driven by new program launches and to a lesser extent higher vehicle production volumes. North American vehicle production was up 9% compared to a year ago and European vehicle production was up 6%. During the quarter, there was virtually no impact of the UAW strike action which started in mid September before being resolved by late October. Exco expects a muted impact from these strikes in its first quarter results in F2024. In the midterm, industry growth may be tempered by rising interest rates and emerging indicators of a global recession. Exco will nonetheless benefit from recent and future program launches that are expected to provide ongoing growth in our content per vehicle. Quoting activity remains encouraging and we believe there is ample opportunity to achieve our targeted growth objectives.

The Casting and Extrusion segment recorded sales of $72.6 million in the fourth quarter compared to $74.4 million last year – a decrease of $1.8 million or 2%. Excluding the impact of foreign exchange movements, the segment's sales were down 6% for the quarter. Demand for our extrusion tooling was lower in the fourth quarter as the impact of higher interest rates and potential for a global recession reduced orders, mainly from the building and construction markets. Demand for extrusion tooling for automotive and sustainable energy markets remains strong and growing, but the building and construction market is the largest driver of extrusion tooling. Management remains focused on standardizing manufacturing processes, enhancing engineering depth and centralizing critical support functions across its various plants. These initiatives have reduced lead times, enhanced product quality, expanded product breadth and increased capacity, all of which position the extrusion group favourably in the future. In the die-cast market, which primarily serves the automotive industry, demand and order flow for new moulds, associated consumable tooling (shot sleeves, rods, rings, tips, etc.) and rebuild work continued to pick up as industry vehicle production recovers and new electric vehicles and more efficient internal combustion engine/transmission platforms are launched. In addition, demand for Exco's industry leading additive (3D printed) tooling has continued to gain significant traction as customers focus on greater efficiency with the size and complexity of die-cast tooling continuing to increase. Sales in the quarter were also aided by price increases, which were implemented to protect margins from higher input costs. Also impacting revenue during the quarter was the considerable period over period variance to the recognition of revenue from some of the larger new-build moulds, which have high price points relative to other products in the segment. Quoting activity remains very robust and our backlogs remain at record levels, which is expected to bode well for sales into fiscal 2024.

The Company's fourth quarter consolidated net income increased to $9.2 million or earnings of $0.24 per share compared to $5.6 million or earnings of $0.14 per share in the same quarter last year. The effective income tax rate was 25% in the current quarter compared 26% in the same quarter last year. The change in income tax rate in the quarter was impacted by geographic distribution and foreign tax rate differentials.

Fourth quarter pre-tax earnings in the Automotive Solutions segment totalled $10.0 million, an increase of $3.5 million or 54% over the same quarter last year. Although production volumes continue to experience some challenges with semiconductor and supply chain constraints, the impact of these factors has reduced considerably. This has allowed all four businesses to benefit from improved efficiencies and absorption of fixed costs to offset the higher raw material and labour costs experienced in recent years. In addition, the stabilized production volumes mean improvements to scheduling and managing labour downtime, fewer expedited shipping and overtime costs experienced by this segment. Apart from UAW strike-related impacts, Management is cautiously optimistic that its cost structures have improved to relatively normal levels such that margins should improve with strengthening and stabilizing volumes.

Fourth quarter pre-tax earnings in the Casting and Extrusion segment totalled $5.3 million, an increase of $2.8 million or 108% over the same quarter last year. The pretax profit improvement is due to improved efficiency in the Extrusion die business, including improvements at Halex and the elimination of fiscal 2022 one-time costs associated with outsourcing due to the extrusion heat treatment implementation. As well, there was improved absorption and efficiencies as Castool's heat treatment operation ramps up, stabilizing raw material and labour costs, and lower Castool Morocco start up costs. Program pricing and mix has also improved in the Large Mould group as demand has picked up in recent quarters while efficiency initiatives continue to take hold. Offsetting these reduced costs is a $0.5 million increase in depreciation costs associated with the increased capital expenditures and start-up losses at Castool's new operations in Mexico. 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 $0.8 million compared to $0.1 million last year due to higher compensation expenses in the current quarter and higher foreign exchange gains in fiscal 2022. As a result of the foregoing, consolidated EBITDA in the quarter was $22.9 million (14.3% of sales) compared to $16.5 million (11.8% of sales) last year.

Operating cash flow before net changes in working capital was $23.5 million in the quarter compared to $17.5 million in the prior year quarter. Higher fourth quarter net income, depreciation, deferred taxes, and interest expense contributed to the increased operating cash flow in the current quarter. Net change in non-cash working capital was $5.9 million cash used in fiscal 2023 compared to $21.5 million cash used last year. Cash used for working capital was driven by higher accounts receivable associated with higher fourth quarter sales and increased inventory reflecting the strength of our backlog and ramping up new facilities. Investment in fixed assets of $9.6 million compared to $16.4 million in the prior year quarter. Included in the current year quarter is $5.2 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 $94.2 million in net debt. The Company has $43.0 million in available liquidity under its banking facilities at year end.

Outlook

In late fiscal 2021, Exco announced it was targeting a compounded average annual growth rate (excluding acquisitions) of approximately 10% for revenues and slightly higher levels for EBITDA and Net Income through fiscal 2026, which was anticipated to produce approximately $750 million in annual Revenue, $120 million in annual EBITDA and an annual EPS of roughly $1.90 by the end of this timeframe. Exco has made significant progress towards achieving these targets since they were announced and continues to believe its Revenue and EBITDA targets remain obtainable. However, Exco revised its EPS target lower – to approximately $1.50 – to reflect the significant rise in interest rates as well as elevated levels of depreciation due to higher than planned capital expenditures associated with future growth initiatives. These Revenue, EBITDA and revised EPS 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, the overall outlook is very favorable across Exco's segments into the medium term. Consumer demand for automotive vehicles remains robust in most markets, despite supply constraints by strike-related activity in the US, a worldwide shortage of semiconductor chips and, to a lesser extent, availability of other raw materials, components and labour. Dealer inventory levels have been improving, but remain below historical norms, 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 to an all-time high. This bodes well for higher levels of future vehicle production and the sales opportunity of Exco's various automotive components and accessories as supply chains normalize. 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 rapid 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. Exco is positioning its operations to capitalize on these changes 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, though the intensity of these dynamics have generally moderated in fiscal 2023. 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 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 2023 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, 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 – November 30, 2023 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/3iaifenr 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/BI3c6447963f5b44e789a713655dc760cc 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 30, 2023, an archived version will be available on the Exco website until December 15, 2023.

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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.