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Exco Technologies Limited Announces Results for First Quarter Ended December 31, 2023

- **Consolidated Sales of $156.7 million compared to $139.1 million the prior year**
- **Net Income of $5.6 million represents a 25% increase over prior year**
- **EPS of $0.15 compared to $0.12 last year**
- **EBITDA of $18.1 million compared to $15.2 million the prior year quarter**
- **Quarterly dividend of $0.105 per common share to be paid March 28, 2024**

TORONTO, Jan. 31, 2024 (GLOBE NEWSWIRE) -- **Exco Technologies Limited (TSX-XTC)** today announced results for its first quarter ended December 31, 2023. In addition, Exco announced a quarterly dividend of $0.105 per common share which will be paid on March 28, 2024 to shareholders of record on March 14, 2024. 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)				
		2023		2022
Sales	**$**	**156,710**	$	139,093
Net income for the period	**$**	**5,642**	$	4,523
Earnings per share: Basic and Diluted	**$**	**0.15**	$	0.12
EBITDA	**$**	**18,061**	$	15,181

“We achieved year over year growth in both revenues and earnings again this quarter despite navigating through difficult market conditions and pushing ahead with our various investment initiatives,” said Darren Kirk, Exco’s President and CEO. “I want to thank all Exco employees for their hard work and commitment to working safely”.

Consolidated sales for the first quarter ended December 31, 2023 were $156.7 million compared to $139.1 million in the same quarter last year – an increase of $17.6 million, or 13%. Foreign exchange rate movements increased sales $0.4 million in the quarter primarily due to the strengthening EURO compared to the Canadian dollar.

The Automotive Solutions segment reported sales of $83.0 million in the first quarter – an increase of $12.8 million, or 18% from the same quarter last year. There was virtually no impact of foreign exchange on sales for the quarter. The sales increase was driven by new program launches and higher vehicle production volumes. Combined North American and European vehicle production was up approximately 5% compared to a year ago. The revenue impact of the UAW strike action which was resolved by late October was approximately $2 million. Adjusting for the strike impact, sales were up at all four of the segment’s locations compared to the prior year quarter. Looking forward, industry growth may be tempered by rising interest rates, elevated vehicle average transaction prices, rising dealer inventory levels, and emerging indicators of a global recession. Vehicle sales however remain encouraging (particularly in North America), dealer inventory levels are well below historical norms and OEM incentives are rising. Exco’s sales volumes will nonetheless 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 $73.7 million in the quarter – an increase of $4.9 million, or 7% from the same period last year. Similar to the automotive segment, there was virtually no foreign exchange impact in the quarter. Demand for our extrusion tooling was lower 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 tooling demand from extruders. 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. Demand for certain capital equipment sold by Castool within the extrusion markets (such as containers and die ovens) remains firm 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 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. These initiatives have reduced lead times, enhanced product quality, expanded product breadth and increased capacity. 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 increased 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 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 with the rising adoption of giga-presses. Sales in the quarter were also aided by price increases, which were implemented to protect margins from higher input costs. Quoting activity remains robust and our backlog for die cast moulds remains at record levels.

The Company's first quarter consolidated net income increased to $5.6 million or earnings of $0.15 per share compared to $4.5 million or earnings of $0.12 per share in the same quarter last year. The effective income tax rate was 23.6% in the current quarter compared 22.7% 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.

The Automotive Solutions segment reported pretax profit of $8.1 million in the quarter – an increase of $0.9 million, or an increase of 12% over the same quarter last year. The increase in pretax profit is largely attributable to higher sales and better absorption of overheads. Production volumes continue to experience challenges with supply chain constraints but the impact to our operations of these factors continues to decline, leading to the improved scheduling of labour and reduced expedited shipping costs. Together with higher volumes from new program launches, this has allowed the segment to benefit from improved efficiencies and better absorption of fixed costs. Offsetting these factors were higher raw material prices, rising labour costs in all jurisdictions and foreign exchange headwinds. Labour costs in Mexico have been particularly challenging in recent years and will see added pressure in fiscal 2024 given the significant rise in minimum wage levels. Although production volumes have largely stabilized from a macroeconomic and global perspective, volumes in the quarter were impacted by the UAW strike action and December holiday shutdowns at certain OEMs. These shutdowns reduced profitability as labour levels were maintained and production inefficiencies were incurred for specific parts and programs. 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 action is 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 $3.6 million of pretax profit in the quarter – an increase of $1.7 million or 88% from the same quarter last year. The pretax profit improvement is due to higher sales volumes, program pricing improvements, favorable product mix and efficiency initiatives within the Large Mould group; improved efficiency in the Extrusion die business, including improvements at Halex and the elimination of prior year one-time outsourcing costs needed at several extrusion operations while in-house heat treatment equipment was replaced. As well, there was improved absorption and efficiencies at Castool's heat treatment operation, stabilizing raw material and labour costs, and lower Castool Morocco start up costs. Offsetting these cost improvements were cash start-up losses at Castool's new operations in Mexico and a $0.8

million increase in segment depreciation 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 first quarter recorded expenses of $2.2 million compared to $1.5 million last year due to higher foreign exchange losses relating to the strengthening Canadian dollar on balance sheet accounts, as well as higher short and long-term incentive plan costs. As a result of the foregoing, consolidated EBITDA in the quarter was $18.1 million (11.5% of sales) compared to $15.2 million (10.9% of sales) last year.

Operating cash flow before net changes in working capital was $16.5 million in the quarter compared to $14.2 million in the prior year quarter. The $2.3 million improvement was driven by a $1.1 million increase in net income, a $1.0 million increase in depreciation and amortization, and a $0.4 million increase in interest expense. Non-cash working capital consumed $3.6 million of cash in the quarter compared to $3.4 million in the same quarter last year. The non-cash working capital movements were driven by lower accounts payable and accruals partially offset by accounts receivable collections. Investment in fixed assets of $11.9 million compared to $7.4 million in the prior year quarter. Included in the current quarter was $4.2 million in growth capital. The increased total investment related to timing of equipment purchases and the completion of major projects. Exco ended the quarter with $99.7 million in net debt. The Company had $36.9 million in available liquidity under its banking facilities at December 31, 2023.

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 annual revenue, $120 million annual EBITDA and 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, management has since 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. Capital expenditures are expected to be approximately $48 million for fiscal 2024.

Despite current macro-economic challenges, including tightening monetary conditions and strike-related production shut-downs in some North American OEM plants in September and October 2023, 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, a worldwide shortage of semiconductor chips and, to a lesser extent, availability of other raw materials, components and labour. 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 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. Accordingly, Exco is positioning 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.

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 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 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, 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 – Thursday February 1, 2024 at 10:00am (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/h4ntxy9c 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/BIe7f88b004fdf421bbb953189681d8f51 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 February 1, 2024, an archived version will be available on the Exco website until February 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 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.