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Exco Technologies Announces Results for First Quarter Ended December 31, 2017

- **Sales of $134.9 million and EBITDA of $17.3 million**
- **EPS of $0.21 in the quarter**
- **Quarterly dividend raised 6% to $0.085 per common share**
- **Large mould group signs $18.5 million in new orders raising order backlog to $31.3 million**
- **Balance sheet and liquidity remain very strong**

TORONTO, Jan. 31, 2018 (GLOBE NEWSWIRE) -- **Exco Technologies Limited** (TSX:XTC) today announced results for its first fiscal quarter ended December 31, 2017. In addition, the Company announced a 6% increase in its quarterly dividend to $0.085 per common share which will be paid on March 29, 2018 to shareholders of record on March 15, 2018. The dividend is an “eligible dividend” in accordance with the Income Tax Act of Canada.

	Three Months ended December 31	
(in $ millions except per share amounts)		
	2017	2016
Sales	**$134.9**	$153.1
Net income for the period	**$8.9**	$11.5
Earnings per share		
Basic and Diluted – Reported	**$0.21**	$0.27
Adjusted to exclude other income/ expenses	**$0.21**	$0.30
EBITDA [1]	**$17.3**	$23.3

“While Exco reported softer revenues and profits in our first fiscal quarter compared to the prior year period, we remain bullish on our prospects for continued sequential improvement through the remainder of the year,” said Brian Robbins, President and CEO of Exco.

Consolidated sales for the first quarter ended December 31, 2017 were $134.9 million compared to $153.1 million in the same quarter last year – a decrease of $18.2 million, or 12%. Over the quarter the average USD/CAD exchange rate was 4% lower from the prior year period ($1.28 versus $1.34), reducing revenue by $4.2 million. The average EUR/CAD exchange rate was higher in the quarter compared to last year ($1.51 versus $1.44), increasing sales by $2.0 million.

The Automotive Solutions segment reported sales of $88.3 million in the first quarter – a decrease of $19.9 million, or 18%, from the same quarter last year. Foreign exchange movements decreased segment sales by $0.7 million, reflecting the net effect of the lower USD/CAD exchange rate on our North American businesses and higher EUR/CAD exchange rate on our European businesses. Lower revenues were primarily driven by a reduction of $11.1 million, or 34%, at ALC due mainly to the permanent closure of the group’s Lesotho operations and the wind down of the BMW 5 Series seat program. The volume and mix of mini seat covers was an added pressure, however this was offset by increased revenues from newer programs and favorable foreign exchange rate movements. Segment sales were also negatively impacted by lower vehicle production levels in North America, which management estimates reduced the combined revenues of Polytech, Neocon and AFX by approximately $5.7 million. The timing of program launches, isolated competitive pricing pressures and adverse foreign exchange rate movements also negatively impacted revenues of the segment's North American operations. Management believes recent negative vehicle production trends in North America reflect the re-implementation of seasonal production curtailments in the summer and December holiday periods by automotive OEMs as they adjust production to match modestly softer end market demand. With these trends now absorbed in the historical periods, Management does not expect further material year over year vehicle production declines in North America through calendar 2018. Partially offsetting these factors were higher revenues at Polydesign, which increased by 13% due to the continued launch of several new programs and favorable foreign exchange movements.

The Casting and Extrusion segment reported sales of $46.6 million for the first quarter – an increase of $1.7 million, or 4%, from the same quarter last year. Foreign exchange movements decreased segment sales by $1.5 million. Sales were up strongly in the Castool group as capital equipment sales levels improved and demand for consumable components in both the diecast and extrusion end markets were firmer, particularly in Asia and Europe, which contributed to a 61% rise in sales at Castool's Thailand operations. Sales levels were also higher at the Extrusion group despite adverse foreign exchange rate movements with growth recorded at four of the group's five operating plants, the exception being its operations in Colombia. The Large mould group recorded modestly lower sales during the quarter driven by customer timing requirements, softness in spare parts sales and adverse foreign exchange rate movements. New awards during the quarter within the Large mould group however totaled a very robust $18.5 million, boosting the group's order backlog to $31.3 million. As well, quoting activity for additional business remains solid, which management expects will have positive implications for sales in future quarters.

Consolidated net income for the first quarter was $8.9 million or basic and diluted earnings of $0.21 per share compared to $11.5 million or $0.27 per share in the same quarter last year – a decrease in net income of 22%. Net income in the comparative quarter was reduced by $1.2 million ($0.03 per share) related to charges associated with the closure of ALC's operations in Lesotho which were not tax effected. This contributed to a 31% tax rate in the prior year quarter compared to an effective consolidated income tax rate of 26% in the current year period. The current year period tax rate was also favorably impacted by the reduced corporate income tax rate in the US and a shift in profitability towards operations located in lower tax-rate jurisdictions.

The Automotive Solutions segment reported pretax profit of $9.5 million in the first quarter – a decrease of $5.2 million or 35% over the same quarter last year. In North America, pretax profits were lower due to reduced sales as well as a net reduction in segment margins. Pre-tax profit margins were lower at Polytech, Neocon and AFX by 420 basis points on a combined basis arising from reduced overhead absorption, unfavorable product mix variance, adverse foreign exchange rate movements as well as isolated competitive price pressures and isolated raw material cost inflation. These pressures are being offset with various initiatives, although there is some lag before the associated benefits accrue. In Europe, operating losses at ALC widened to $1.5 million ($0.03 per share) during the quarter from $0.6 million ($0.01 per share) the prior year period due to reduced overhead absorption and costs associated with repositioning the business to accommodate the launch of several new programs. As a result of these initiatives, management expects steady reduction in ALC's losses as the year progresses. Partially offsetting these factors were higher margins and overall profitability at Polydesign which benefited from higher revenues and reduced operational disruption following a period of exceptional sales growth through most of fiscal 2017. Closure costs associated with Lesotho in the prior year quarter amounted to $1.2 million (including a $0.7 million non-cash asset writedown), which were recorded outside of the segment results.

The Casting and Extrusion segment reported modestly lower pretax profit of $4.7 million in the first quarter – a decrease of $0.3 million or 7% from the same quarter last year. Most of this reduction occurred in the large mould group which had lower absorption rates and was negatively impacted by unfavorable product mix. Efficiencies from the large capex project at the group's plant in Newmarket, Ontario have started to be harnessed however relatively modest production volumes in the quarter precluded the associated benefit from being realized to a material degree. Management expects such benefit will increasingly accrue as volumes ramp up from recent contract awards, noting that profitability in the large mould group improved sequentially from Q4 fiscal 2017. The Castool group's profitability was modestly lower despite the higher sales due to a combination of adverse foreign exchange rate movements, competitive pricing pressures, raw material price increases and a mix shift towards lower margin products. Profitability at Castool's operations in Thailand however improved significantly from prior year levels when a loss was incurred, and the group is undertaking various initiatives aimed at reversing recent profit trends. Profit at the Extrusion group was notably stronger from prior year levels despite adverse foreign exchange rate movements as the group continues to benefit from improved manufacturing efficiencies, price increases and the continued seasoning of its greenfield operations in Texas and Brazil.

The Corporate segment expenses were $1.8 million in the first quarter compared to $1.4 million in the prior year quarter due mainly to $0.2 million of unfavorable foreign exchange rate movements and $0.1 million of incremental non-cash stock based compensation expense related to the Stock Option Plan and the Board of Directors Deferred Stock Unit Plan.

Operating cash flow before net change in non-cash working capital totaled $15.1 million in the first quarter. After changes in working capital requirements, net cash provided by operating activities amounted to $12.3 million in the current quarter. This cash flow was more than sufficient to fund $0.3 million of interest expense and $9.5 million of capital expenditures in the quarter, including $5.1 million for the purchase of the building where AFX's operations are located. Remaining cash flow contributed to the funding of the company's quarterly dividend and repurchase of $0.5 million of share capital. Exco's net debt totaled $12.1 million as at December 31, 2017.

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.sedar.com.

Quarterly Conference Call – January 31, 2018 at 4:30 p.m. (Toronto time):

To access the live audio webcast, please log on to www.excocorp.com, or https://edge.media-server.com/m6/p/pc84jorq a few minutes before the event. The conference call can be accessed by dialing toll free at (866) 572-8261 or internationally at (703) 736-7448. The conference ID is 7494289. Questions can be submitted via the Q&A box on the webcast console or via the conference call.

For those unable to participate on January 31, 2018, an archived version will be available on the Exco website.

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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 17 strategic locations in 8 countries, we employ 6,671 people and service a diverse and broad customer base.

Notice To Reader: Forward Looking Statements

Information in this document relating to projected growth 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 and operating efficiencies are forward-looking statements.

This press release contains forward-looking information and forward-looking statements within the meaning of applicable securities laws. We use words such as "may", "will", "should", "expect", "believe", "estimates" and similar expressions to identify forward-looking information and statements especially with respect to growth 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 and operating efficiencies are forward-looking statements. 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. These forward-looking statements are based on our plans, intentions or expectations which 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, 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, raw material prices, economic conditions, currency fluctuations, trade restrictions, our ability to close or otherwise dispose of unprofitable operations in a timely manner, our ability to integrate acquisitions and the rate at which our operations in Brazil and Bulgaria achieve sustained profitability. 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. 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 2017 Annual Report, our 2017 Annual Information Form ("AIF") and other reports and securities filings made by the Company. This information is available at www.sedar.com.*

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[1] Non-IFRS Measures: *In this News Release, reference is made to EBITDA and order backlog, which are not measures of financial performance under International Financial Reporting Standards ("IFRS"). Exco calculates EBITDA as earnings before other income/ expense, interest, taxes, depreciation and amortization. EBITDA is used by management, from time to time, to facilitate period-to-period operating comparisons and we believe some investors and analysts use them as well. This measure, as calculated by Exco, may not be comparable to similarly titled measures used by other companies. Order backlog is the estimate unearned portion of revenues on customer contracts that are in process and have not been completed at the specified date.*