Source: *Exco Technologies Ltd.*

May 01, 2019 16:30 ET

Exco Results for Second Quarter Ended March 31, 2019

- **Sales of $123.5 million and EBITDA of $16.3 million**
- **Adjusted EPS [i] of $0.22 including approx $0.04 of strike settlement/ disruption costs**
- **Quarterly dividend of $0.09 per share declared**
- **Balance sheet and liquidity remain very strong**
- **Exco Engineering wins PACE Award for 3D printed die components**

TORONTO, May 01, 2019 (GLOBE NEWSWIRE) -- **Exco Technologies Limited (TSX-XTC)** today announced results for its second quarter of fiscal 2019 ended March 31, 2019. In addition, the company announced a quarterly dividend of $0.09 per common share which will be paid on June 28, 2019 to shareholders of record on June 12, 2019. The dividend is an “eligible dividend” in accordance with the Income Tax Act of Canada.

	Three Months Ended March 31		Six Months Ended March 31	
(in $ thousands except per share amounts)				
	2019	2018	**2019**	2018
Sales	**$123,465**	$148,390	**$265,589**	$283,261
Net income for the period	**$8,564**	$10,556	**$12,382**	$19,472
Earnings per share:				
Basic and Diluted – Reported	**$0.21**	$0.25	**$0.30**	$0.46
Basic and Diluted – Adjusted	**$0.22**	$0.25	**$0.45**	$0.46
Adjusted EBITDA [i]	**$16.3**	$19.0	**$34.9**	$36.3

“Exco confronted a number of challenges during the quarter, which hampered our financial performance,” said Darren Kirk, Exco’s President and CEO. “Nonetheless, our underlying operations remain very sound and we fully expect to demonstrate stronger results in the quarters ahead,” added Kirk.

Consolidated sales for the second quarter ended March 31, 2019 were $123.5 million compared to $148.4 million in the same quarter last year – a decrease of $24.9 million, or 17%. Essentially all of the sales decline during the quarter was driven by the expected deconsolidation of ALC from Exco’s results, as previously disclosed.

The Automotive Solutions segment reported sales of $73.3 million in the second quarter – a decrease of $25.1 million, or 26% from the same quarter last year. Excluding revenues generated by ALC in the prior year quarter as well as foreign exchange rate benefits, segment sales were essentially flat versus the prior year period. During the quarter overall industry vehicle production volumes were modestly lower in both North America and Europe. Segment sales were nonetheless supported by a number of program launches for both new and existing products, particularly at Polydesign and Neocon. More broadly, the group’s four businesses continue to focus their efforts on higher margin activity. Relatedly, the curtailment of uneconomic programs modestly dampened sales during the quarter and year-to-date periods, particularly at AFX. Despite generally softer industry vehicle production levels, management continues to see ample opportunity for future growth supported by robust quoting activity for new programs in both North America and Europe.

The Casting and Extrusion segment reported sales of $50.2 million for the second quarter, which was essentially equal to the prior year period. During the quarter, sales were modestly higher at both the Extrusion and Castool groups helped by generally favorable market conditions, foreign exchange rate movements and continuing product and productivity enhancement initiatives. In particular, the Extrusion group continues to benefit from its ongoing efficiency initiatives and widespread demand growth for aluminum extrusions in North America. The group's new Extrusion tooling facility in Mexico is now operational, however it only began commercial production on April 1, 2019 and therefore did not contribute sales during the quarter. At Castool, the group continues to experience higher demand for its capital equipment globally. Demand for its consumable products however has been more varied, with modestly softer market demand evident throughout the latest quarter, particularly in Asia. The Large Mould group reported lower sales during the second quarter with the year over year variance mostly attributable to the completion/wind-down of uneconomic programs and customer timing requirements. Within the segment, the pass through of costs related to US steel tariffs continued to have a positive influence on revenues, however certain steel distributors began to receive an exemption of these tariffs during the quarter and the associated reduction in costs is now making its way through the supply chain. Market conditions and quoting activity remain generally solid across the segment, particularly within the Large Mould group. This group is clearly leading the way in industry innovation as evidenced by Exco Engineering's receipt of a prestigious PACE Award for its 3D printed die components during the quarter.

Consolidated net income for the second quarter was $8.6 million or basic and diluted earnings of $0.21 per share compared to $10.6 million or $0.25 per share in the same quarter last year – a decrease in net income of 19%. Excluding a net expense of $0.3 million of expenses resulting from the deconsolidation of ALC, adjusted net income totaled $8.9 million ($0.22 per basic share) in the quarter, or a 16% reduction in adjusted net income. Exco's effective income tax rate was 23% during the quarter, which was consistent with the prior year period.

The Automotive Solutions segment reported pretax profit of $9.1 million in the second quarter – a decrease of $1.6 million or 15% over the same quarter last year. Current period results benefited from the elimination of ALC's operations, which contributed losses of $2.0 million in the second quarter of fiscal 2018 ($0 in the second quarter of fiscal 2019). Segment pretax profits however were adversely impacted by a number of factors in the current quarter versus the prior year period. In particular, our Polytech and AFX operations were adversely impacted by a widespread labour strike in the city of Matamoros, Mexico that lasted for roughly two weeks in January 2019 associated with annual wage negotiations. While the strike was ultimately settled – and Polytech's and AFX's operations have largely returned to normal – higher wages and bonus payments to production staff have suppressed segment profitability. The impact of the bonus payments totaled roughly $1.0 million in the current quarter and will continue through the remainder of Exco's fiscal year at an approximate cost of $1.5 million in each of the next two quarters. At this time management does not expect similar bonus payments in 2020 and consequently segment profitability will recover by a similar magnitude next year. As well, both AFX and Polytech experienced meaningful freight and overtime costs in the latest quarter associated with lost production days during the strike while severance costs associated with improving future efficiencies within the segment have also increased current period costs. Together, management estimates these factors increased costs by roughly $1.0 million during the quarter. As production levels and inventory levels have now returned to normal, management does not expect these costs will be material beyond the second quarter of fiscal 2019. Lastly, costs in the current quarter were also adversely impacted by front end inefficiencies associated with several new product launches, particularly at Polydesign and Neocon. While such costs may continue into future quarters, management expects they will continue at lower levels than experienced in the current quarter and ultimately support higher segment profitability as the underlying programs mature.

The Casting and Extrusion segment reported $4.6 million of pretax profit in the second quarter – a decrease of $0.4 million or 8% from the same quarter last year. During the quarter, overall gross profit within the segment was up by approximately $0.2 million compared to the prior year. On the same basis, each of the Extrusion, Castool and Large Mould groups recorded relatively stable to higher results. Nonetheless, modestly higher general and administrative costs together with adverse year over year foreign exchange rate movements within the segment caused pre-tax profitability to decline during the current quarter. 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 through the remainder of the year.

Consolidated adjusted EBITDA for the second quarter totaled $16.3 million compared to $19.0 million in the same quarter last year – a decrease of $2.7 million, or 14%. Adjusted EBITDA as a percentage of sales increased to 13.2% in the current period compared to 12.8% the prior year.

Operating cash flow before net change in non-cash working capital totaled $14.2 million in the second quarter. After changes in non-cash working capital, net cash provided by operating activities amounted to $14.8 million. This cash flow was more than sufficient to fund $0.2 million of net interest expense, $6.3 million of net capital expenditures, $3.7 million of common dividend payments and $1.3 million of share repurchases net of issuance. Exco used its surplus cash flow to further reduce its net debt, which totaled $6.3 million as at March 31, 2019.

For further information and prior year comparison please refer to the Company's Second Quarter Financial Statements in the Investor Relations section posted at www.excocorp.com. Alternatively, please refer to www.sedar.com.

Quarterly Conference Call – May 2, 2019 at 10:00 a.m. (Toronto time):

To access the live audio webcast, please log on to www.excocorp.com, or http://edge.media-server.com/m6/p/8pdt2puk 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 9079468.

For those unable to participate on May 2, 2019, an archived version will be available on the Exco website.

Source:	Exco Technologies Limited (TSX-XTC)
Contact:	Darren Kirk, President and CEO
Telephone:	(905) 477-3065 Ext. 7233
Website:	http://www.excocorp.com

About Exco Technologies Limited:

Exco Technologies Limited is a global supplier of innovative technologies servicing the die-cast, extrusion and automotive industries. Through our 15 strategic locations in 7 countries, we employ 5,437 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 including the availability and cost of labor, currency fluctuations, trade restrictions, our ability to turnaround, 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 Mexico 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 2018 Annual Report, our 2018 Annual Information Form ("AIF") and other reports and securities filings made by the Company. This information is available at www.sedar.com.*

[i] Non-IFRS Measures: *In this News Release, reference is made to EBITDA, Adjusted EBITDA, adjusted EPS and pretax profit which are not measures of financial performance under International Financial Reporting Standards ("IFRS"). Exco calculates EBITDA as earnings before interest, taxes, depreciation and amortization and Adjusted EBITDA as EBITDA before other income/expense. Exco calculates adjusted EPS as earnings before other income/expense and pretax profit as earnings before other income/expense, interest and taxes. EBITDA, Adjusted EBITDA, adjusted EPS and pretax profit 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 companies.*