



Exco Results for Third Quarter Ended June 30, 2021

- Sales increased 78% excluding foreign exchange impact
- EBITDA growth of 225% to \$15.2 million
- EBITDA margin of 13.2% compared to 6.6% prior year
- EPS of \$0.22 compared to (\$0.02) prior year
- Targets annual EPS of \$1.90 by F2026
- Quarterly dividend of \$0.10 per common share

TORONTO, July 28, 2021 (GLOBE NEWSWIRE) -- **Exco Technologies Limited (TSX-XTC)** today announced results for its third quarter of fiscal 2021 ended June 30, 2021. In addition, Exco announced a quarterly dividend of \$0.10 per common share which will be paid on September 30, 2021 to shareholders of record on September 16, 2021. The dividend is an “eligible dividend” in accordance with the Income Tax Act of Canada.

	Three Months Ended June 30		Nine Months Ended June 30	
<i>(in \$ thousands except per share amounts)</i>	2021	2020	2021	2020
Sales	\$114,967	\$70,962	\$354,729	\$311,629
Net income for the period	\$8,682	(\$848)	\$31,332	\$16,705
Basic and Diluted EPS	\$0.22	(\$0.02)	\$0.80	\$0.42
EBITDA	\$15,221	\$4,680	\$54,777	\$37,704

“Exco achieved very strong results again this quarter while making tremendous progress advancing our numerous growth initiatives, said Darren Kirk, Exco’s President and CEO. “We are targeting a greater than 50% increase in revenue and net income over the next five years while making a positive contribution to global sustainability goals. In particular, the accelerating adoption of the electric vehicle is a guiding driver behind our capital commitments, business objectives and where market forces align perfectly with our competitive advantages. We have never been more excited for the future”, added Kirk.

Consolidated sales for the third quarter ended June 30, 2021 were \$115.0 million compared to \$71.0 million in the same quarter last year – an increase of \$44.0 million, or 63%. Excluding foreign exchange rate fluctuations sales increased 78% during the quarter.

The Automotive Solutions segment reported sales of \$61.0 million in the third quarter – an increase of \$32.9 million, or 117% from the prior year quarter. Excluding foreign exchange rate movements, segment revenues would have been \$67.2, or up 139% for the quarter. This strong sales growth reflects a normalization of activities compared to the prior year when 3 of our 4 manufacturing plants in this segment were shut down for April and much of May due to COVID-19 government restrictions. Notwithstanding this improvement, growth in the current year periods was hampered by the global microchip supply issues, which management estimates reduced vehicle production volumes and segment sales by between 15% to 20% in the quarter. Segment sales were supported by a number of key program launches for both new and existing products and favourable vehicle mix. The segment received several contract wins during the quarter and management continues to see decent quoting activities for new programs across the segment’s various businesses supporting future growth.

The Casting and Extrusion segment reported sales of \$53.9 million for the third quarter – an increase of \$11.1 million, or 26%, from the same period last year. Excluding the negative impact of foreign exchange movements, the segment’s sales were up 37% for the quarter and continue to exceed pre-COVID-19 levels. Although the impact of the microchip shortage was not as significant in the Casting and Extrusion segment as it was in the Automotive segment, sales in the Castool and Large Mould groups were negatively impacted from certain customers during the quarter and year-to-date. Third quarter segment sales reflect the third consecutive quarterly increase (10% over F2021 Q2) even with the negative impact of foreign exchange and the microchip issues. The Extrusion group experienced higher sales at all locations, reflecting demand for extrusion tools across all industry segments particularly in the building sector coupled with operational improvements that have continued to reduce lead times contributing to market share gains. At Castool, the group’s revenues were higher for the quarter. Demand for Castool’s die-cast consumable tooling and extrusion products was solid, with a slightly stronger demand for the die-cast consumable tooling solutions leading the quarter. Castool continues to invest heavily in new equipment and advance its proprietary tooling solutions which are increasingly required by customers as their manufactured components increase in size and complexity while they focus on improving their own productivity and efficiency measures. The Large Mould group sales were up 31% from F2021 Q2 with diversity of its customer base and solid additive sales representing key drivers of the results. New business from current and new customers was awarded in the quarter; as a result, inventories and backlog continue to grow.

Consolidated net income for the third quarter was \$8.7 million or basic and diluted earnings of \$0.22 per share compared to a loss of \$0.8 million or \$0.02 loss per share in the same quarter last year – an increase in net income of \$9.5 million. The consolidated effective income tax rate of 12% in the current quarter compared to 10% in the prior year period. The income tax rate in the current quarter and year was favorably impacted by the recognition of Scientific Research and Experimental

Development income tax credits during the quarter.

The Automotive Solutions segment reported pre-tax profit of \$5.1 million in the third quarter compared to a loss of \$3.8 million in the same quarter last year – an increase of \$8.9 million. The segment's profitability growth reflects three months sales compared to the plant shutdowns in the prior year due to COVID-19. Overall profit margins were lower than expected due to decreased fixed cost absorption from lower sales as a result of the microchip shortage and raw material price increases due to inflationary pressures experienced in most inputs but particularly resin. As well, supply issues persisted across the segment resulting in significant inefficiencies and much higher freight/ transportation costs. Management remains focused on improving the efficiency of its operations and reducing its overall cost structure. Pricing discipline also remains a focus and new program awards include management's expectations for higher future costs.

The Casting and Extrusion segment reported \$7.8 million of pre-tax profit in the third quarter – an increase of \$2.8 million or 57% from the same quarter last year. Similar to the Automotive segment, the Casting and Extrusion segment profitability growth over the prior year periods is a result of higher sales due to the impact of COVID-19 last year. This impact, however, was somewhat muted last year by the nature of much of the segment's tooling products as they feed into many essential industries. Consistent with the higher third quarter sales, segment profitability continued to improve. Quarterly segment pre-tax profit was 5% higher than F2021 Q2 profit. In addition, fixed cost absorption improved and we benefited from greater labour efficiencies reflecting our past and continuing investments in new equipment and processes, as part of our continuous improvement initiatives. These improvements were partially offset by higher freight and raw material input costs.

The Corporate segment expenses were \$2.8 million in the second quarter compared to \$1.9 million in the prior year quarter. Corporate expenses increased in the quarter due to foreign exchange losses relating to the strengthening Canadian dollar compared to prior periods and increased incentive expenses.

Consolidated EBITDA for the third quarter totaled \$15.2 million compared to \$4.7 million in the same quarter last year – an increase of \$10.5 million. EBITDA as a percentage of sales increased to 13.2% in the current quarter compared to 6.6% the prior year quarter driven by an improvement in the Automotive Solutions segment (11% compared to negative 7%) and Casting & Extrusion segment (21% compared to 20%).

Operating cash flow before net change in non-cash working capital totaled \$13.9 million in the third quarter. After changes in working capital requirements, net cash provided by operating activities amounted to \$19.0 million. This cash flow, together with cash on hand was more than sufficient to fund \$0.1 million of interest expense, \$16.7 million of capital expenditures, and \$3.9 million of common dividend payments.

As at June 30, 2021, Exco's consolidated balance sheet had net cash of \$26.3 million. Principal sources of liquidity include generated Free Cash Flow, \$34.9 million of balance sheet cash and \$41.4 million of unused availability under its \$50 million committed credit facility, which matures February 2023. Pursuant to the terms of the credit facility, Exco is required to maintain compliance with certain financial covenants, which the Company was in compliance with as at June 30, 2021.

Outlook

The overall outlook is very favorable across Exco's various businesses. Consumer demand for automotive vehicles is currently outstripping supply in most markets, constrained by a shortage of microchips and to a lesser extent other raw materials and components. Dealer inventory levels are now near record lows, while average transaction prices are at 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 once 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 fleet 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 is creating significant growth drivers that are expected to persist through at least the next decade. Automotive OEMs are looking to light-weight metals such as aluminum 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 contribute towards their profitability and sustainability goals. Tesla, in particular, has adopted the approach of utilizing much larger die cast machines to cast entire sub-frames of vehicles out of an aluminum based alloy rather than assemble numerous pieces of separately stamped and welded pieces of ferrous metal. Exco expects traditional OEMs will ultimately follow this trend and is positioning its operations to capitalize accordingly.

On the cost side, inflationary pressures have intensified in recent quarters while prompt availability of various input materials and components has become more challenging. 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 are evident.

Exco itself is also looking inwards with respect to ESG and sustainability trends to ensure its own operations are sustainable. We are investing significant capital to improve the efficiency of our own operations and lower our own carbon footprint. We expect to update the market on these initiatives over the coming quarters.

Over the next 5 years Exco is currently targeting a compounded average annual growth rate of approximately 10% for revenues

and slightly higher levels for EBITDA and Net Income during this timeframe, producing an annual EPS of roughly \$1.90 in fiscal 2026. This target is 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 investments will remain elevated in the next few years in order to position the Company for the significant growth opportunities we see. Capital expenditures are expected to exceed \$40 million for fiscal 2021.

To review the Company's third quarter financial statements and updated investor presentation please refer to the Company's website at www.excocorp.com. Alternatively, please refer to www.sedar.com.

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 measures of financial performance under International Financial Reporting Standards ("IFRS"). Exco calculates EBITDA as earnings before interest, taxes, depreciation, amortization and other expenses and EBITDA Margin as EBITDA divided by sales. Exco calculates Pretax Profit as segmented earnings before other income/expense, interest and taxes. Free Cash is calculated as cash provided by operating activities less interest paid and Maintenance Fixed Asset Additions. Maintenance Fixed Asset Additions represents investment in fixed assets that are required to continue current capacity levels. 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. 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. 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.

Quarterly Conference Call – July 29, 2021 at 10:00 a.m. (Toronto time):

To access the live audio webcast, please log on to www.excocorp.com, or <https://edge.media-server.com/mmc/p/zmtr7qkc> a few minutes before the event. The conference call can also be accessed by dialling toll free at (866) 572-8261 or internationally at (703) 736-7448. The conference ID is 8450289.

For those unable to participate on July 29 2021, 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 16 strategic locations in 7 countries, we employ approximately 4,800 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 use words such as "anticipate", "may", "will", "should", "expect", "believe", "estimate" 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 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, 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, assumptions about the 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, 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. 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 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 or www.excocorp.com.