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# Q4 F2022 Earnings Call

November 30, 2022

# Cautionary Statement



This presentation 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", "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 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, 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. 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.sedar.com](http://www.sedar.com) or [www.excocorp.com](http://www.excocorp.com)



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**Darren Kirk**  
Chief Executive Officer

Operations Review

# Q4 F2022 Operations Overview



## Key Highlights in the Quarter – Market Conditions/ Overview

- Overall industry vehicle production up 24% in N.A and up 20% in Europe vs prior year quarter
  - Production remained constrained by chip shortage and general supply chain issues
    - Shortage has been easing and is expected to steadily improve through Calendar 2023, particularly in N.A.
    - Automotive production schedules becoming less volatile
    - Europe will lag due to supply chain challenges associated with Russia invasion of Ukraine
  - Consumer vehicle sales (US SAAR) improving but remains impacted by production supply constraints, low dealer inventory levels and rising prices
  - IHS expects year/ year Industry vehicle production to increase by:
    - 7% in North America and 1% in Europe in Exco Q1F23
    - 7% in both North America and Europe in C2023

# Q4 F2022 Operations Overview



## Key Highlights in the Quarter – Market Conditions/ Overview

- Accelerating adoption of electric vehicles a key area of focus for Exco
  - Our products contribute to global sustainability goals
  - Increasing size and complexity of tooling favorable to Exco
  - Number of new awards and program launches on electric vehicles in both segments
- Aggressive capital agenda to capitalize on significant growth opportunities
  - Halex acquisition closed May 2, 2022
  - Upgraded equipment in our Large Mould division to add capacity and handle moulds of extreme size
  - Castool 90 Morocco opened in November 2021
  - Phase 1 of Castool Heat Treatment operations in Newmarket operational Spring 2022
  - Castool 25 Mexico will be operation in mid F2023
  - Extrusion group heat treatment additions/ modernization with energy efficient equipment ongoing
  - 40,000 square feet of manufacturing space added within Automotive Solutions
  - F2023 capex budget of C\$47M, includes C\$18M of carryover from F2022



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**Matthew Posno**

Chief Financial Officer

Financial Review

# Q4 F2022 Financial Overview



## Consolidated Results Versus Prior Year Period

- Revenue of \$140.4M; up \$34.0M or 32% compared to \$106.4M last year
  - FX movements had a negligible impact
  - Halex acquisition added \$12.3M of revenue
    - Revenue was up 20% excluding Halex and FX movements
- EBITDA of \$16.5M; up 4% from \$15.2M last year
  - Widespread inflationary pressures and ongoing operational and logistics challenges remain but were less pronounced than recent quarters
  - Strong improvement from Auto Solutions group as vehicle volumes recovered
  - Start-up losses at Castool 90 and Castool Heat treat
  - Weaker than expected results from Halex given much higher energy/ material costs and difficult labour markets (Germany in particular)
  - Lower Corporate expenses due to FX gains and incentive compensation

# Q4 F2022 Financial Overview



## Consolidated Results Versus Prior Year Period

- Casting and Extrusion segment revenues up 50% and EBITDA down 12% (Margin decreased to 12% from 20%)
- Automotive Solutions segment revenues up 16% and EBITDA up 30% (Margin increased to 12% from 11%)
- EPS of \$0.14 versus \$0.18, reconciled to prior year:

	F22 (\$000's)	EPS	F21 (\$000's)	EPS
EBITDA	16,538	\$0.43	15,287	\$0.39
Depreciation/ Amort	(7,612)	(\$0.20)	(5,507)	(\$0.14)
Interest	(1,392)	(\$0.04)	(107)	(\$0.00)
Taxes	(1,965/ 26% of PTP)	(\$0.05)	(2,585/ 27% of PTP)	(\$0.07)
Net Income	5,563	\$0.14	8,682	\$0.18

- Free cash flow of negative \$11.2M in the quarter (after \$21.5M of working capital use and \$5.8M of maintenance capex)
- Other cash consumed: Dividend (\$4.1M) and growth capex (\$10.5M)
- Balance sheet in a \$90.3M net debt position of as at Sept 30, 2022, leverage of 1.7x

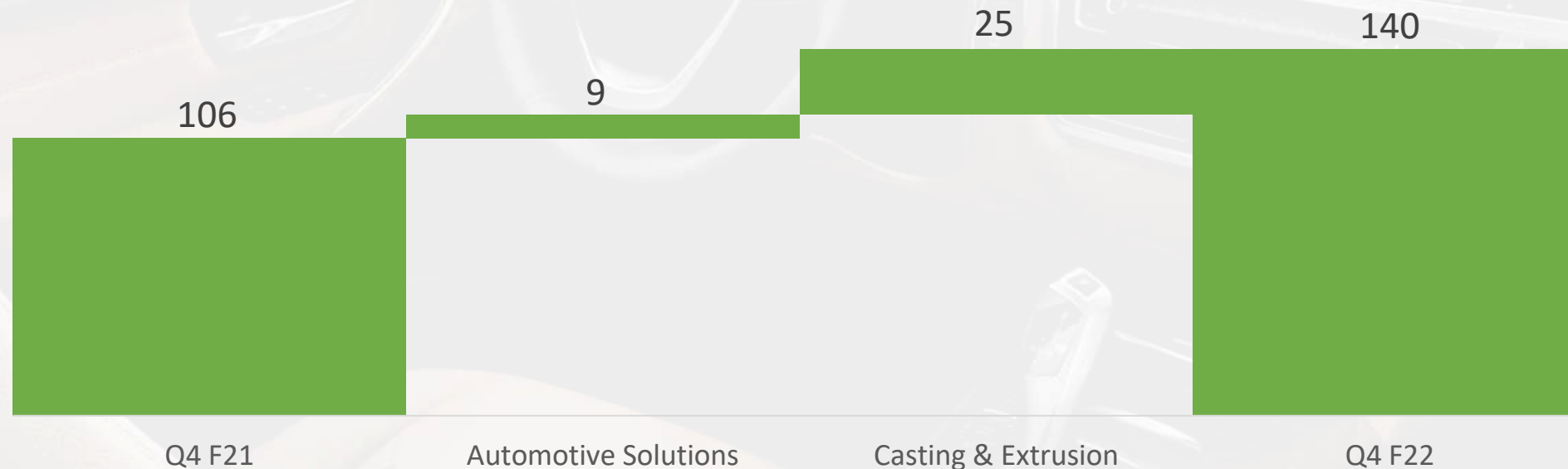


# Q4 F2022 Financial Overview



## Consolidated Revenue Reconciliation

C\$ Millions

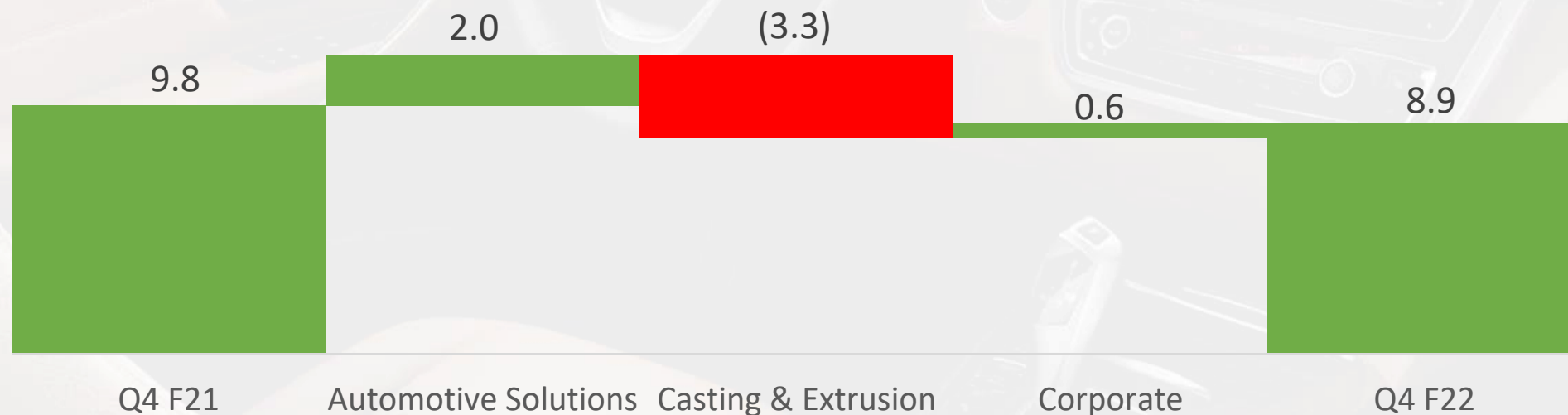


# Q4 F2022 Financial Overview



## Consolidated Pretax Profit Reconciliation (Before Interest and Other Expense)

C\$ Millions



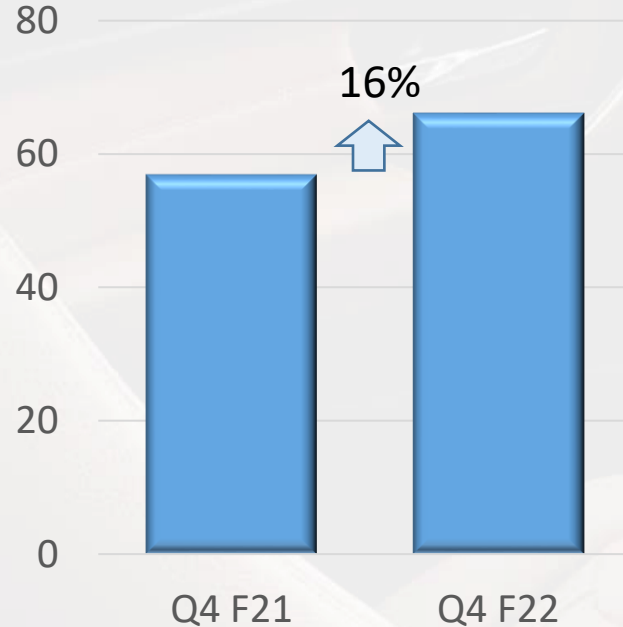
# Automotive Solutions Segment



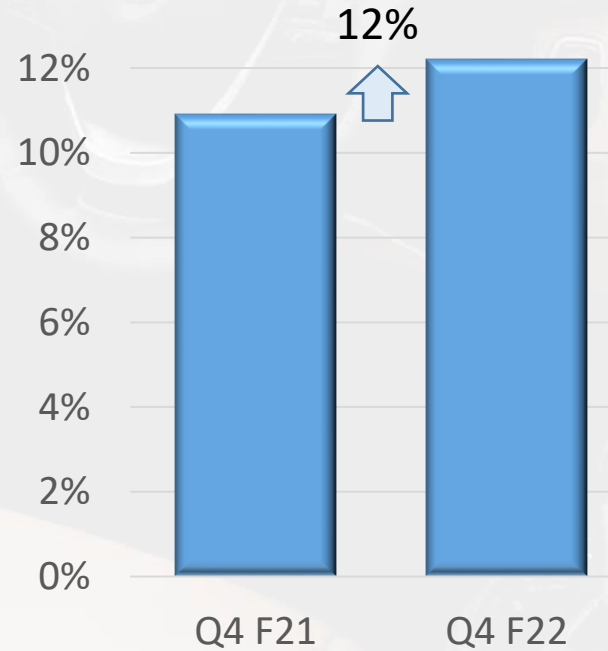
EBITDA and EBITDA margin improved on higher sales as production volumes became more reliable

C\$ Millions

Revenue

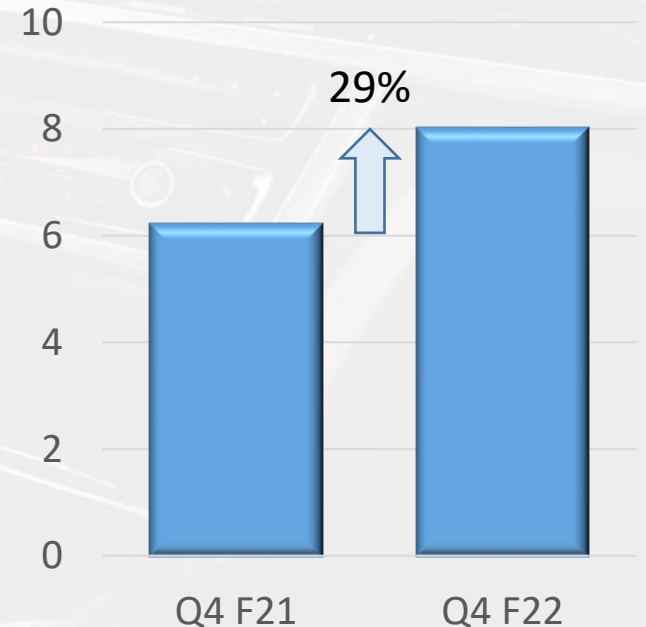


Segment EBITDA Margin



C\$ Millions

Segment EBITDA

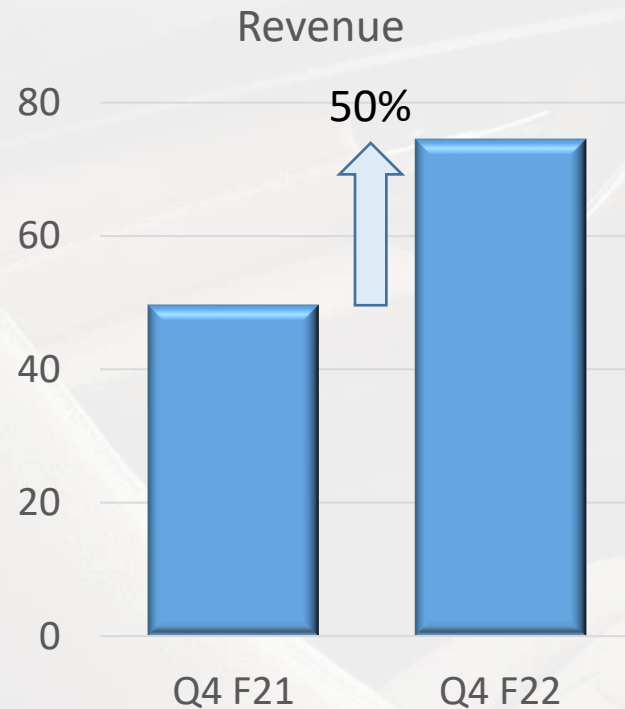


# Casting & Extrusion Segment

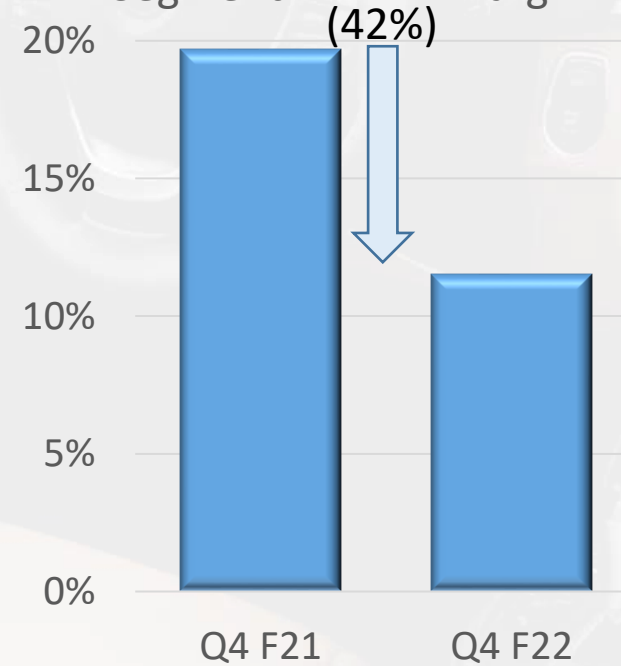


Profitability down due to start-up losses, inflationary pressure and European conflict.

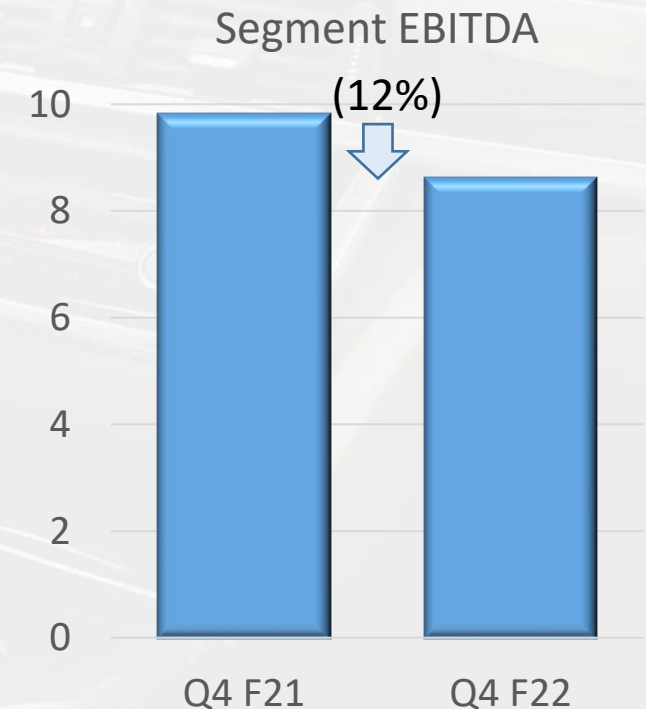
C\$ Millions



Segment EBITDA Margin



C\$ Millions

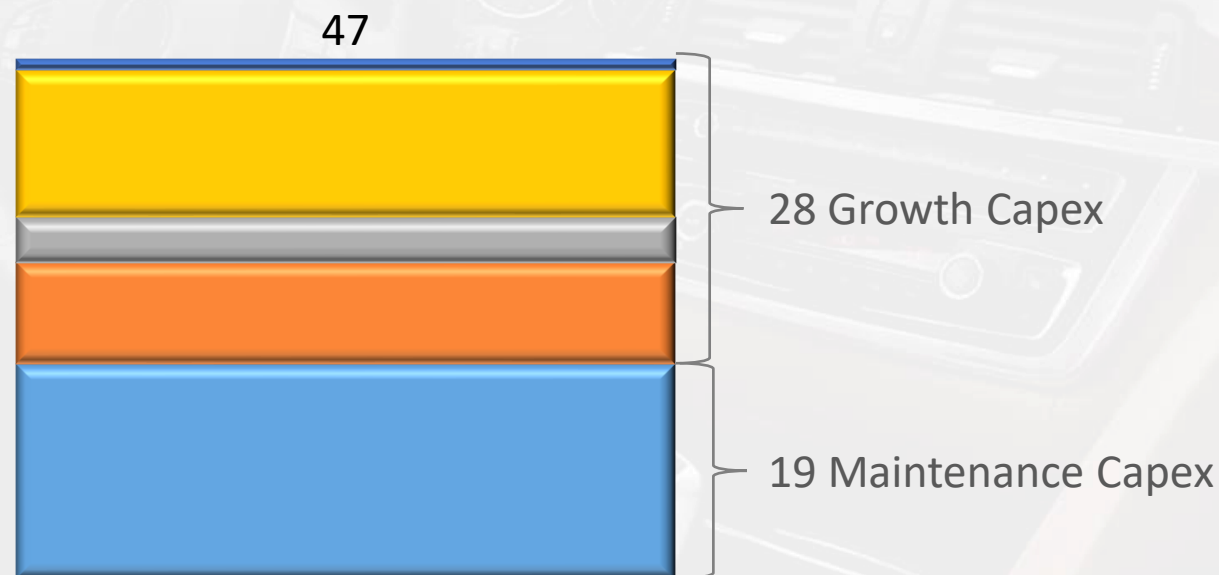


# Capital Expenditures



Near Term Capex will Remain Elevated to Support Strong Organic Growth Initiatives

C\$ Millions



F2023 Budgeted Capex

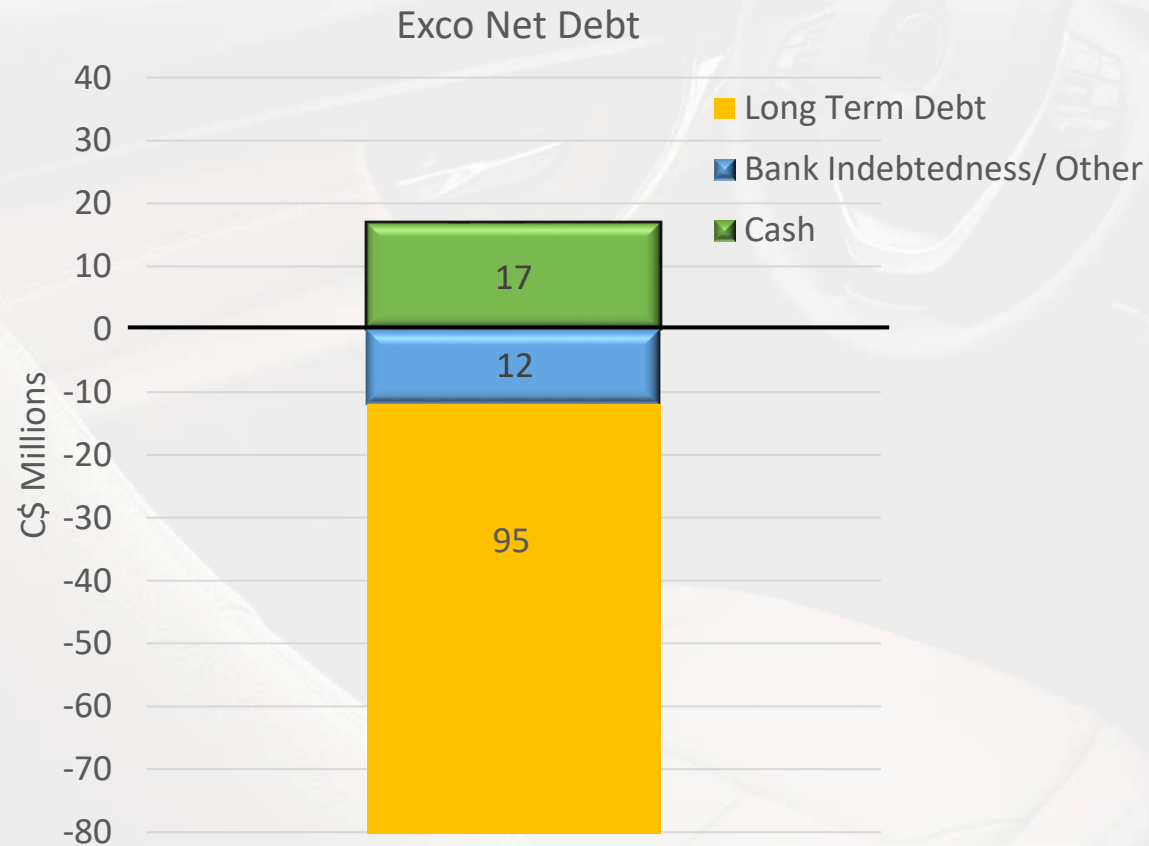
- Maintenance
- Energy Efficient Heat Treatment Equipment
- Auto Solutions Capacity Increases
- Castool Greenfields
- Casting & Extrusion Capacity Increases

Fiscal year ended September 30

# Financial Leverage & Liquidity



Balance Sheet net leverage of 1.7x as at September 30, 2022



- F22 EBITDA of C\$53M
- C\$150M committed revolver matures February 2025
- Balance sheet net debt of \$90M
- C\$77M of Liquidity
- Significant cushion to bank facility covenants

# Questions





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