Source: *Exco Technologies Ltd.*

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Exco Results for First Quarter Ended December 31, 2022

- **Consolidated Sales of $139.1 million increased 38% compared to prior year quarter.**
- **Net Income of $4.5 million and EPS of $0.12**
- **EBITDA of $15.2 million compared to $9.3 million prior year quarter**
- **Quarterly dividend of $0.105 per common share to be paid March 31, 2023**

TORONTO, Jan. 31, 2023 (GLOBE NEWSWIRE) -- **Exco Technologies Limited (TSX-XTC, OTCQX-EXCOF)** today announced results for its first quarter of fiscal 2023 ended December 31, 2022. In addition, Exco announced a quarterly dividend of $0.105 per common share which will be paid on March 31, 2023 to shareholders of record on March 17, 2023. 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)		
	2022	2021
Sales	**$139.1**	$101.0
Net income for the period	**$4.5**	$2.7
Earnings per share		
Basic and Diluted – Reported	**$0.12**	$0.07
EBITDA	**$15.2**	$9.3

“Exco’s results showed strong improvement as automotive industry supply constraints continue to ease,” said Darren Kirk, Exco’s President and CEO. “While global macro conditions are certainly slowing, we believe our various capital investment and margin enhancement activities will enable our results to continue to improve through the balance of the year,” added Kirk.

Consolidated sales for the first quarter ended December 31, 2022 were $139.1 million compared to $101.0 million in the same quarter last year – an increase of $38.1 million or 38%. Foreign exchange rate movements increased sales $6.1 million in the quarter primarily due to the strengthening US dollar compared to the Canadian dollar (strengthened 7.5%)

The Automotive Solutions segment reported sales of $70.3 million in the first quarter – an increase of $15.1 million, or 27% from the same quarter last year. Adjusting for the impact of foreign exchange movements, sales increased 21%. The sales increase was driven by higher vehicle production volumes and fewer program launch delays as supply chain disruptions eased in the quarter. North American industry vehicle production was up 8% compared to a year ago and European industry vehicle production was up 4%. Sales increased at all four of the segment’s operations as we benefited from higher production volumes and the continued ramp up in new programs. Looking forward, OEM vehicle production volumes are expected to increase as the semiconductor chip shortages and other supply chain constraints continue to improve. While industry growth may be tempered by rising interest rates and emerging indicators of a global recession, there remains significant pent-up customer demand for new vehicles and dealer inventory levels are expected to be replenished from historically low levels. As well, Exco will benefit from recent and future program launches that are expected to provide growth in our content per vehicle. Quoting activity remains encouraging and we believe there is ample opportunity to achieve our targeted growth objectives.

The Casting and Extrusion segment reported sales of $68.8 million in the quarter – an increase of $23.0 million, or 50% from the same period last year. Excluding the $2.6 million positive impact of foreign exchange, sales increased 45% compared to the prior year quarter. Halex sales were $11.6 million, but they remained below potential due to December holidays, the Russian conflict in Ukraine, and weakening economic conditions in Europe. Demand for our extrusion tooling and associated capital equipment outside of Europe remained relatively strong due to both industry growth and ongoing market share gains, although we did see signs of market activity slowing through the quarter. Management remains focused on standardizing manufacturing processes, enhancing engineering depth and centralizing some support functions across its various plants. These initiatives have reduced lead times, enhanced product quality, expanded product breadth and increased capacity, all of which has supported market share gains. In the die-cast market, which primarily serves the automotive industry, demand and order flow for new moulds, associated consumable tooling and rebuild work has continued to improve as industry vehicle production recovers and new electric vehicles and more efficient internal combustion engine/transmission platforms are launched. As well, customer inventory levels increased as expectations for higher vehicle production volumes improves. 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. Sales in the quarter were also aided by price increases, which were implemented in order to protect margins from higher input costs. Quoting activity within the die-cast end market remains very robust and our backlogs remain firm, which is expected to bode well for sales into fiscal 2023.

Consolidated net income for the first quarter was $4.5 million or basic and diluted earnings of $0.12 per share compared to $2.7 million or $0.07 per share in the same quarter last year. The consolidated effective income tax rate for the current quarter was 22.7% compared to 26.1% the prior year period. The change in the income tax rate in the current year quarter was impacted by geographic distribution and foreign rate differentials.

The Automotive Solutions segment reported pretax profit of $7.2 million in the quarter – an increase of $3.8 million, or an increase of 112% over the same quarter last year. The increase in pretax profit is largely attributable to higher sales and better absorption of overheads. Although we continue to experience disruptions from the supply chain issues including the semiconductor shortages, the unpredictable production flow that has plagued automotive volumes in North America and Europe over the last two years have begun to stabilize. Volumes remain well below pre-pandemic volumes, but production and efficiency challenges alleviated during the quarter, while cost increases related to raw materials, wages, and transportation also subsided during the quarter. Management is cautiously optimistic that its overall cost structure will return to relatively normal levels in future quarters as scheduling and predictability improves with strengthening volumes. 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 $1.9 million of pretax profit in the quarter – a decrease of $0.1 million from the same quarter last year. The pretax profit decline was driven by higher depreciation ($1.9 million), start-up costs at Castool's heat treatment operations in Newmarket, continued outsourced heat treat costs in our Extrusion tooling group while new equipment is being installed, and higher raw material, energy, freight and labour costs due to inflation, particularly in Europe. Management expects to generate higher sales and eliminate many of these costs over the coming quarters through efficiency improvements and has also taken pricing action to recapture lost margin where possible. The higher depreciation relates to the acquisition of Halex and the Company's investment in new capital that will improve operations and provide access to new geographies to increase our market share. Castool Morocco ramp-up is proceeding favorably, but has been slower than anticipated due to the supply chain constraints, inflation, and the Russian invasion of Ukraine. 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 expenses were $1.5 million in the quarter compared to $1.6 million in the prior year quarter. Consolidated EBITDA for the first quarter totaled $15.2 million compared to $9.3 million in the same quarter last year. EBITDA as a percentage of sales increased to 10.9% in the current quarter compared to 9.3% the prior year. The EBITDA margin in the Casting and Extrusion segment was 11.1% compared to 12.9% last year while the EBITDA margin in the Automotive Solutions segment was 12.8% compared to 9.0% last year.

Exco generated cash from operating activities of $10.8 million during the quarter and $5.6 million of Free Cash Flow after $3.4 million in Maintenance Fixed Asset Additions. This free cash flow, together with the Company's cash balances was used to fund fixed assets for growth initiatives of $4.0 million and $4.1 million of dividends. Exco ended the quarter with $18.0 million in cash, $110.7 million in bank and long-term debt and $41.9 million available in its credit facility, continuing Exco's practice of maintaining a strong balance sheet and liquidity position.

Outlook

Despite current macro-economic challenges, including tightening monetary conditions, the overall outlook is very favorable across Exco's segments into the medium term. Consumer demand for automotive vehicles is currently outstripping supply in most markets, which are constrained by a shortage of semiconductor chips and, to a lesser extent, other raw materials, components and availability of labour. Dealer inventory levels, although increasing slightly, are near record lows, while average transaction prices for both new and used vehicles 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 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 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. Certain new EV manufacturers have 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. Traditional OEMs have started to adopt this trend and Exco is positioning its operations to capitalize accordingly. Beyond the automotive industry, Exco's extrusion tooling supports diverse 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 remain elevated while prompt availability of various input materials, components and labour remains 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.

The Russian invasion of Ukraine has added additional uncertainty to the global economy. And while Exco has essentially no direct exposure to either of these countries, Ukraine does feed into the European automotive markets and Europe has significant dependence on Russia for its energy needs.

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 and capacity of our own operations while lowering our own 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 Condensed Financial Statements in the Investor Relations section posted 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 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 – February 1, 2023 at 10:00 a.m. (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/dyjox52j 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/BI323ed3e33e424e70ab6828ee4ba00901 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, 2023, an archived version will be available on the Exco website until February 15, 2023.

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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 20 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 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.sedar.com *or* www.excocorp.com.