**Source:** *Exco Technologies Ltd.*

*April 27, 2023 17:01 ET*

# Exco Results for Second Quarter Ended March 31, 2023

- **Consolidated Sales of $155.5 million increased 30% over prior year quarter**
- **Net Income of $6.3 million and EPS of $0.16**
- **EBITDA of $17.8 million increased 42% over prior year quarter**
- **Results include one-time cash costs related to the January Cyber incident of $1.6 million or $0.03 per share.**
- **Large Mould group achieves record quarterly order intake and highest ever backlog levels**
- **Strong momentum heading into the second half of fiscal 2023**
- **Quarterly dividend of $0.105 per common share to be paid June 30, 2023**

TORONTO, April 27, 2023 (GLOBE NEWSWIRE) -- **Exco Technologies Limited (TSX-XTC, OTCQX-EXCOF)** today announced results for its second quarter of fiscal 2023 ended March 31, 2023. In addition, Exco announced a quarterly dividend of $0.105 per common share which will be paid on June 30, 2023 to shareholders of record on June 16, 2023. 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)* | | | | |
| | **2023** | 2022 | **2023** | 2022 |
| Sales | **$155,507** | $119,303 | **$294,600** | $220,282 |
| Net income for the period | **$6,288** | $5,098 | **$10,811** | $7,834 |
| Earnings per share: | | | | |
| Basic and Diluted – Reported | **$0.16** | $0.13 | **$0.28** | $0.20 |
| EBITDA | **17,841** | $12,538 | **33,022** | $21,855 |

"Exco's second quarter results demonstrate solid progress executing upon our various growth initiatives," said Darren Kirk, Exco's President and CEO. "Despite challenging global macro conditions, we remain confident our results will see continued gains through the quarters ahead."

Consolidated sales for the second quarter ended March 31, 2023 were $155.5 million compared to $119.3 million in the same quarter last year – an increase of $36.2 million, or 30%. Excluding foreign exchange rate fluctuations sales increased 24% during the quarter.

Strong sales were supported by the Company's various strategic growth initiatives. These initiatives are – in turn – primarily driven by the increased adoption of electric vehicles, the lightweighting and economizing of motor vehicles, the broader global environmental sustainability movement and the adoption of die-cast and extrusion tooling to meet these global macroeconomic changes to manufacturing. The Company is making significant investments in capital assets, non-cash working capital, human resources and training, and other resources to capture this growth. The impact of these investments is suppressing near term profitability but will provide opportunities for meaningful contributions over a multi-year horizon as increased scale is achieved. The status of our various growth initiatives are summarized as follows:

- Castool Morocco Greenfield Facility – This new plant officially opened in November 2021 and positions Castool to better penetrate the European die cast and extrusion consumable tooling

markets. The plant is ramping up slowly but showing good traction in markets that have sizeable opportunities.
- Castool Heat treatment operations - Situated within our existing Newmarket Large Mould facility, initial operations began in the Spring of 2022 and the last of the major equipment was installed in April 2023. This facility provides unmatched capabilities, particularly for larger tooling components and enables the insourcing of Castool's and Large Mould's heat treatment needs. Additional benefits of this operation include: eliminating shipping and scheduling conflicts with third party suppliers, shorter lead times, increased quality control, and a reduction in the Company's environmental footprint.
- Castool Mexico Greenfield Facility – The building has been completed and equipment has started to arrive. Initial production is planned for the third quarter of fiscal 2023. This facility will increase manufacturing capacity and position Castool to better penetrate the markets in Latin America and the Southern US.
- Large Mould group Equipment Additions – Has expanded Large Mould's additive manufacturing capacity, increased its crane lift capabilities to 100 tons, and added several medium and large 5-axis milling machines in order to capture growth in the very large die-cast market segment. All equipment is now installed and operational.
- Extrusion group Heat Treatment – added new heat treatment equipment to its plant in Mexico to eliminate outsourcing, increased capacity in Texas, and replaced equipment in Markham with new energy efficient equipment. All equipment is now operational.
- Automotive Solutions – the Polytech and Neocon facilities were expanded (combined 40,000 square feet) to meet growing demand from significant program awards. The last of the equipment became operational in the second quarter of fiscal 2023.
- Halex acquisition completed May 2, 2022 - Halex is the second largest manufacturer of aluminium extrusion dies in Europe and the continent's leading supplier of complex extrusion dies and complements Exco's existing extrusion die operations. The acquisition provides Exco with well-established and high-quality operations and more extensive opportunities to better support our global customers and grow in new markets. Work continues to integrate Halex into the Extrusion group operations and realize synergies from the sharing of best practices.

The Automotive Solutions segment reported sales of $83.1 million in the second quarter – an increase of $14.9 million, or 22% from the prior year quarter. Adjusting for the impact of foreign exchange movements, sales increased 15% during the quarter. The sales increase was driven by the ramp up of newer programs, higher vehicle production volumes, select pricing actions to compensate for inflationary pressures as well as favorable vehicle mix. By comparison, blended vehicle production volumes in North America and Europe were up about 13% in the quarter, indicating continued gains in content per vehicle. 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. As well, Exco will benefit from recent and future program launches that are expected to provide ongoing growth in our content per vehicle. Quoting activity remains very encouraging and we believe there is ample opportunity to achieve our targeted growth objectives.

The Casting and Extrusion segment reported sales of $72.4 million for the second quarter – an increase of $21.3 million or 42%, from the same period last year. Adjusting for the impact of foreign exchange movements, segment revenues increased 35% during the quarter. Casting and extrusion segment sales were significantly influenced by the acquisition of Halex in Q3 fiscal 2022. Excluding Halex's sales, segment sales increased by 12% in the quarter as overall market demand remained firm and the Company benefited from its various strategic growth initiatives. Demand for our consumable extrusion tooling (i.e. dies, dummy blocks, stems, etc.) and associated capital equipment (die ovens, containers, etc.) remained relatively strong overall due to both industry growth and ongoing market share gains, although we did see further signs of market activity for certain extrusion tooling slowing through the quarter in North America. In addition to its capital asset growth agenda, 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, increased capacity and provided access to new geographies, all of which have supported market share gains.

In the die-cast market, which primarily serves the automotive industry, demand for new moulds, consumable tooling (shot sleeves, rods, rings, tips, etc.), rebuild work and additively printed tooling has continued to improve as industry vehicle production recovers and new electric vehicles and more efficient internal combustion engine/transmission platforms are launched. Also, customer inventory levels increased as expectations for higher vehicle production volumes improves. We believe the segment is gaining market share, particularly for tooling that is larger and more complex, which is the fastest growing portion of the market. Sales in the quarter were also aided by price increases, which were implemented to recover margins eroded by higher input costs. Quoting activity within the die-cast end market remains extremely robust while our backlog levels are at record highs, which is expected to bode well for sales into fiscal 2024.

Consolidated net income for the second quarter was $6.3 million or basic and diluted earnings of $0.16 per share compared to $5.1 million or $0.13 per share in the same quarter last year – an increase of net income of $1.2 million. Pretax profits in the second quarter of this year were negatively impacted by $1.6 million ($0.03/ share net of tax) of costs related to the previously disclosed cyber incident in the Lage Mould group, which has now been fully remediated. The consolidated effective income tax rate of 21% in the current quarter compared to 23% in the prior year quarter. The income tax rate in the quarter was impacted by non-deductible losses from our Castool Morocco facility, offset by geographic distribution, and foreign rate differentials.

The Automotive Solutions segment reported pretax profit of $8.7 million in the second quarter, an increase of $2.5 million from the prior year quarter. The increase in pretax profit is largely attributable to higher sales, better absorption of overheads, and from select pricing actions. These improvements were partially offset by inefficiencies caused by launch costs from key launches in the period. Industry vehicle volumes remain below pre-pandemic levels and production flows remain somewhat erratic due to ongoing supply chain challenges, but these challenges lessened in the quarter while cost increases related to raw materials, wages, and transportation also subsided. Management is 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 $3.9 million of pretax profit in the second quarter – an increase of $1.2 million from the same quarter last year and $2.0 million from the first quarter fiscal 2023. The second quarter pretax profit improvement was driven by contributions from Halex, increased overhead absorption and production efficiencies due to stronger sales in the die-cast market (including new moulds, rebuilds, and consumable tooling). These positive contributions were partially offset by higher depreciation ($1.0 million in the quarter), start-up costs at Castool's new operations in Morocco, Mexico and Heat Treat Newmarket, as well as higher raw material, energy, freight and labour costs. As well, costs were also impacted by roughly $0.6 million of expenses recorded in the segment due to lost production time in the Large Mould group arising from the cyber incident. Management expects to temper many of these costs over the coming quarters through efficiency improvements and pricing action where possible. Margins will also benefit as newer operations mature and achieve greater scale. 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. Castool's new Mexican operation is scheduled to open in the third quarter and ramp up quickly contributing to increased market share gains in both the die-cast and extrusion tooling markets in Mexico and Latin America. Management remains focused on reducing its overall cost structure and improving manufacturing efficiencies and expects such activities together with its sales efforts to improve segment profitability over time.

Corporate segment expenses were $2.6 million in the second quarter compared to $2.0 million in the prior year quarter. The Corporate segment incurred $1 million of costs associated with the January cyber incident for administrative, legal and monitoring costs, which are not expected to recur in future quarters. These second quarter costs were partially offset by lower foreign exchange and incentive expenses compared to the prior year second quarter.

Consolidated EBITDA for the second quarter totaled $17.8 million compared to $12.5 million in the same quarter last year – an increase of $5.3 million or 42%. For the quarter, EBITDA as a percentage of sales increased to 11.5% in the current period compared to 10.5% the prior year driven by an improvement in segment margins in both the Casting & Extrusion segment (13.6% compared to 13.3%) and the Automotive Solutions segment (12.7% compared to 11.4%). Excluding costs associated with the January 2023 cyber incident, consolidated EBITDA totaled $19.4 million during the second quarter – an increase of 55% over the prior year.

Exco generated cash from operating activities of $6.0 million during the quarter and $1.1 million of Free Cash Flow after $2.9 million in Maintenance Fixed Asset Additions and $2.0 million in interest expense. During the quarter the Company invested 7.7 million in growth capital expenditures and $4.1 million in dividends. Exco ended the quarter with $13.1 million in cash, $116.3 million in bank and long-term debt and $36.3 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 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/](www.excocorp.com/leadership/sustainability/).

Exco is currently targeting a compounded average annual growth rate (excluding acquisitions) of approximately 10% for revenues and slightly higher levels for EBITDA and Net Income through fiscal 2026, which is expected to produce an annual EPS of roughly $1.90 by the end of this timeframe. 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 balance of the fiscal year in order to position the Company for the significant growth opportunities we see.

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** – April 28, 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/bd5xq2cd 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/BI3a47dfb418914175b68bd256f4ba09d6 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 April 28, 2023, an archived version will be available on the Exco website until May 15, 2023.

**Source:** Exco Technologies Limited (TSX-XTC, OTCQX-EXCOF)
**Contact:** Darren Kirk, President and CEO
**Telephone:** (905) 477-3065 Ext. 7233
**Website:** https://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 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.