

### EXCO TECHNOLOGIES LIMITED

**Price (Dec. 17)** \$10.11  
**52-Week Range:** \$12.59-\$7.54  
  
**Shares O/S:** 42.15 mm  
**Market Cap:** \$426.14 mm  
  
**Average Volume:**  
**50-Day:** 34,700  
**200-Day:** 33,600  
  
**Dividend (Ann.):** \$0.20  
**Yield:** 1.98%  
  
**Symbol:** TSX: XTC



Source: bigcharts.com

**PROFILE:** Designer, developer, and manufacturer of dies, moulds, components, and assemblies for the global die-cast, extrusion, and automotive industries.

### STRONG FOURTH-QUARTER AND FULL-YEAR RESULTS

Exco Technologies Limited reported strong results for Q4/F2014 and the full fiscal year ended September 30, 2014. The Company also declared a regular \$0.05 per common share quarterly dividend, payable December 23 to shareholders of record December 12.

**COMMENT:** Continued strong sales and earnings growth in its existing operations, together with the beneficial impact of the Automotive Leather Group (ALC) acquisition earlier in the year, enabled Exco Technologies Limited to report impressive fourth-quarter and full year fiscal 2014 results.

We believe that with the North American auto industry expected to remain strong through 2015 and the ALC operation making a full year's contribution, the Company should achieve further sales and earnings gains in fiscal 2015.

The Company remains in a strong financial condition with no net debt, cash on hand of \$31.2 million (\$0.75 per share), and working capital at the end of September of \$80.6 million.

**FULL FISCAL YEAR 2014 FINANCIAL RESULTS****A. Q4/F2014 Results (July 1 - September 30, 2014)**

Exco reported that net sales increased approximately 73% to \$110.9 million, primarily as a result of sales from the Automotive Leather Group (ALC) acquisition that was made earlier in the year. ALC contributed \$34.3 million in sales in the fourth quarter.

*Automotive Solutions* sales rose 173% to \$64.9 million in the latest quarter, reflecting the \$34.3 million in sales from the ALG acquisition as well as 29% growth in sales from the other businesses in this sector.

Sales in the *Casting & Extrusion* area increased approximately 14% to \$46 million in the quarter, reflecting growth in all operations in this area.

Net earnings of \$8.1 million, or \$0.19 per share, in Q4/F2014 compared with \$6.8 million, or \$0.17 per share, in Q4/F2013.

Q4/2014 included approximately \$1.7 million of unusual items (such as severance costs, and start-up costs related to the new Brazilian and Thailand plants). The Q4/F2013 earnings had included \$0.37 million of unusual items (primarily severance costs). If these items were to be excluded, earnings would have been \$0.22 per share and \$0.17 per share for the respective quarters.

Table 1 below compares Exco's Q4/F2014 and Q4/F2013 results.

**Table 1: Exco Technologies Limited Q4/F2014 versus Q4/F2013 Results**

<i>(\$000s except EPS)</i>	<u>Q4/F2014</u>	<u>Q4/F2013</u>	<u>Change</u>
<b>Net Sales</b>			
<b>Casting &amp; Extrusion</b>	\$46,019	\$40,219	14.4%
<b>Automotive Solutions</b>	<u>\$64,919</u>	<u>\$23,742</u>	<u>173.4%</u>
<b>Total Sales</b>	\$110,938	\$63,961	73.4%
<b>EBITDA</b>	\$14,932	\$11,686	27.8%
<b>EBITDA Margin</b>	13.5%	18.3%	
<b>Net Profit</b>	\$8,123	\$6,750	20.3%
<b>Net Profit Margin</b>	7.3%	10.6%	
<b>EPS</b>	\$0.19	\$0.17	
<b>Average Shares O/S (million)</b>	42.0	40.7	

*Results based on IFRS*

*Source: Company and eResearch*

**B. Full-Year F2014 Results (Ended September 30, 2014)**

Sales increased approximately 51% to \$368.3 million, up from \$244.6 million a year ago, as the Company benefitted from a 116% gain in sales in the *Automotive Solutions* area and an 11% increase in sales from the *Casting & Extrusion* operations.

The strong growth in the *Automotive Solutions* area reflected \$83.9 million in sales from the ALC acquisition together with 25% growth in sales from the division's other operations.

The increase in sales in the *Casting & Extrusion* operations reflected general improvement in extrusion markets in North America and at Exco Colombia. The improved sales in the *Casting* area were attributable to strong markets in both North America and Asia.

For the full year fiscal 2014, Exco reported earnings of approximately \$30.7 million, or \$0.74 per share, compared with \$23.6 million, or \$0.58 per share, for fiscal 2013.

Net earnings for fiscal 2014 of \$30.7 million included unusual items of approximately \$4.6 (primarily start-up costs at new facilities and severance costs), while the net earnings of \$23.6 million in fiscal 2013 included \$2.3 million of unusual items (mainly \$1.5 million of withholding tax on a dividend from a subsidiary). If these items were to be excluded, earnings per share would have been \$0.83 and \$0.64 respectively.

The table below compares Exco's Full-Year F2014 and Full-Year F2013 results.

**Table 2: Exco Technologies Limited F2014 versus F2013 Results**

<i>(\$000s except EPS)</i>	<u><b>F2014</b></u>	<u><b>F2013</b></u>	<u><b>Change</b></u>
<b>Net Sales</b>			
<b>Casting &amp; Extrusion</b>	\$169,446	\$152,499	11.1%
<b>Automotive Solutions</b>	<u>\$198,812</u>	<u>\$92,111</u>	<u>115.8%</u>
<b>Total Sales</b>	\$368,258	\$244,610	50.5%
<b>EBITDA</b>	\$53,944	\$42,954	25.6%
<b>EBITDA Margin</b>	14.6%	17.6%	
<b>Net Profit</b>	\$30,656	\$23,632	29.7%
<b>Net Profit Margin</b>	8.3%	9.7%	
<b>EPS</b>	\$0.74	\$0.58	
<b>Average Shares O/S (million)</b>	41.5	40.7	

*Results based on IFRS*

*Source: Company and eResearch*

### C. Quarterly Trends

Table 3 below shows the quarterly trend in selected financial items for the past eight quarters.

**Table 3: Exco Technologies Limited Quarterly Results Q1/F2013 to Q4/F2014**

(\$000s except EPS)	<u>Q1/F13</u>	<u>Q2/F13</u>	<u>Q3/F13</u>	<u>Q4/F13</u>	<u>Q1/F14</u>	<u>Q2/F14</u>	<u>Q3/F14</u>	<u>Q4/F14</u>
<b>Net Sales</b>								
<b>Casting &amp; Extrusion</b>	\$36,323	\$37,050	\$38,907	\$40,219	\$38,964	\$39,853	\$44,610	\$46,019
<b>Automotive Solutions</b>	<u>\$22,363</u>	<u>\$22,531</u>	<u>\$23,475</u>	<u>\$23,742</u>	<u>\$24,981</u>	<u>\$42,584</u>	<u>\$66,328</u>	<u>\$64,919</u>
<b>Total Sales</b>	\$58,686	\$59,581	\$62,382	\$63,961	\$63,945	\$82,437	\$110,938	\$110,938
<b>EBITDA</b>	\$10,313	\$10,033	\$11,686	\$11,072	\$10,968	\$12,431	\$14,932	\$15,521
<b>EBITDA Margin</b>	17.6%	16.8%	18.7%	17.3%	17.2%	15.1%	13.5%	14.0%
<b>Net Profit</b>	\$5,787	\$5,545	\$5,550	\$6,750	\$6,740	\$7,453	\$8,340	\$8,123
<b>Net Profit Margin</b>	9.9%	9.3%	8.9%	10.6%	10.5%	9.0%	7.5%	7.3%
<b>EPS</b>	\$0.14	\$0.14	\$0.14	\$0.17	\$0.17	\$0.18	\$0.20	\$0.19
<b>Average Shares O/S (million)</b>	40.7	40.7	40.7	40.7	40.8	41.9	42.0	42.0

Results based on IFRS

Source: Company and eResearch

### D. Historical Results

Table 4 below shows selected financial results for the past five years ended September 30, 2014.

**Table 4: Exco Technologies Limited Abbreviated Historical Financial Results**

<b>Year Ended September 30</b>	<u><b>2009</b></u>	<u><b>2010</b></u>	<u><b>2011</b></u>	<u><b>2012</b></u>	<u><b>2013</b></u>	<u><b>2014</b></u>
(\$000s except EPS)						
<b>Net Sales</b>						
<b>Casting &amp; Extrusion</b>	\$96,105	\$105,015	\$128,353	\$152,521	\$152,499	\$169,446
<b>Automotive Solutions</b>	<u>\$47,611</u>	<u>\$60,497</u>	<u>\$74,278</u>	<u>\$89,995</u>	<u>\$92,111</u>	<u>\$198,812</u>
<b>Total Sales</b>	\$143,716	\$165,512	\$202,631	\$242,516	\$244,610	\$368,258
<b>EBITDA</b>	\$1,392	\$22,450	\$28,619	\$42,594	\$43,104	\$53,944
<b>EBITDA Margin</b>	1.0%	13.6%	14.1%	17.6%	17.6%	14.6%
<b>Net Profit (loss)</b>	-\$17,666	\$10,077	\$13,263	\$24,449	\$23,632	\$30,656
<b>Net Profit Margin</b>	-12.3%	6.1%	6.5%	10.1%	9.7%	8.3%
<b>EPS</b>	-\$0.43	\$0.25	\$0.32	\$0.60	\$0.58	\$0.74
<b>Shares O/S (million)</b>	40.8	40.8	40.9	40.7	40.7	41.5

\*Results before 2010 based on GAAP; 2010 onwards based on IFRS

Source: Company and eResearch

**THE COMPANY**

Exco Technologies Limited is a Markham, Ontario-based designer, developer, and manufacturer of dies, moulds, components, and assemblies for the global die-cast, extrusion, and automotive industries.

The Company has two main sectors:

- *Automotive Solutions*, which accounted for 54% of fiscal 2014 net sales; and
- *Extrusion Technology and Casting*, which provided the remaining 46%.

Exco operates through 18 facilities in 12 countries in North and South America, Europe, South Africa, and Asia. In fiscal 2014, approximately 57% of Exco's net sales were generated in Canada and the United States, with the remaining 43% in the balance of the world. International sales are expected to increase their share of total sales in fiscal 2015, as a result of recent acquisitions and expansion.

Effective March 1, 2014, Exco acquired Automotive Leather Company Group (ALC) of South Africa for approximately \$17.3 million in cash and 973,895 Exco shares. ALC manufactures and exports luxury leather interior seat covers and other trim components, primarily for BMW in Germany.

For more on Exco Technologies Limited., see eResearch's June 6, 2014 *StockPotentials Report* at the following link: [http://www.eresearch.ca/report/XTC\\_061614-SP.pdf](http://www.eresearch.ca/report/XTC_061614-SP.pdf).

**eRESEARCH CORPORATION****eResearch Analysts on this Report:**

Bill Campbell, B. Comm.; and Bob Weir, B.Sc., B.Comm, CFA

**Analyst Affirmation:** I, Bill Campbell, and I, Bob Weir, hereby state that, at the time of issuance of this research report, I do not own, directly or indirectly, shares of Exco Technologies Limited.

**NOTE:** eResearch published a *StockPotentials Report* on Exco Technologies Limited on June 6, 2014, and a *StockPotentials Perspective* on the Company on July 29, 2014. These reports and reports on other companies are available FREE on our website at [www.eresearch.ca](http://www.eresearch.ca). You must REGISTER to access these reports.

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