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TRS.OQ - Q1 2025 TriMas Corp Earnings Call

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Ken Newman *Key Bank Capital Markets - Analyst*

Hamid Khosson *PSWS Financial - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, greetings and welcome to the TriMas Corporation. First quarter 2025 earnings conference call. (operator instructions).

It is now my pleasure to introduce your host Sherry Lauderback Investor Relations. Please go ahead.

Sherry Lauderback - *TriMas Corp - Vice President of Investor Relations and Global Communications*

Thank you and welcome to TriMas Corporation's first quarter 2025 earnings call. Participating on the call today are Thomas Amato, TriMas President and CEO, and Teresa Finley, our Chief Financial Officer.

We will provide our prepared remarks on our first quarter results and full year outlook, and then we will open the call up for questions.

In order to assist with the review of our results, we have included today's press release and presentation on our company website at [trimas.com](https://www.trimas.com) under the investor section. In addition, a replay of this call will be available later today by calling 877-660-6853 with a meeting ID of 13753075.

Before we get started, I would like to remind everyone that our comments today may contain forward-looking statements that are inherently subject to a number of risks and uncertainties. Please refer to our most recent Form 10K and 10Q to be filed later today for a list of factors that could cause our results to differ from those anticipated in any forward-looking statements.

Also, we undertake no obligation to publicly update or revise any forward-looking statements except as required by law.

We would also direct your attention to our website where considerably more information may be found.

In addition, we would like to refer you to the appendix in our press release or presentation for the reconciliations between GAAP and non-gap financial measures used during this call. Today, the discussion on the call regarding our financial results will be on an adjusted basis, excluding the impact of special items. With that, I will turn the call over to Thomas Amato. Tom.

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

Thank you, Sherry. Good morning and welcome to TriMas first quarter earnings call. Let's begin on slide 3.

We are pleased to announce that we are off to a great start to the year and have delivered strong results for the 1st quarter.

Reflecting on our two largest segments, packaging and aerospace, which together represent nearly 90% of TriMas revenues, we have experienced organic growth of 3.3% and 27.8% respectively.

Our aerospace business achieved another record sales quarter and continued momentum in driving conversion to just over 22% EBITDA with LTM EBITDA now at 20%.

This is commendable performance by the aerospace team and represents our steadfast commitment to continuous improvement underpinned by a robust aerospace and defence market.

Within our packaging group, sales grew at an anticipated level when adjusted for currency, and our conversion rate was just slightly below the prior year quarter as we chose to secure certain materials ahead of changing tariff rates. Taking this proactive step resulted in incremental costs in the quarter, which otherwise would have resulted in an increased overall conversion rate as compared to the prior period.

Importantly, as we begin to as we begin Q2, while we navigate the global packaging market, we are continuing to see good demand for our dispensing product lines. We will continue to closely monitor this trend given emerging tariff-related dynamics.

When considering the performance of our two largest segments, it is important to recognize TriMas positive shift to a higher quality of segment level earnings mix, which we believe underscores the value potential of TriMas.

With respect to our specialty product segment, after we normalize for the sale of aero engine, this segment now represents approximately 10% of TriMas annual sales.

In the first quarter of 2025 and similar to what we experienced at the end of 2024, we continue to believe that no's cylinder is at the bottom of the destocking demand trough.

Encouragingly, we are now beginning to see the rate of cylinder order intake steadily increase for the first time in many months. We believe this is providing the long awaited green shoots which we expect to build upon throughout the year as we have already taken significant cost restructuring actions to facilitate improved performance at a lower annualized sales base.

I'll provide more detail, a more detailed overview of our segment results later on in the call.

Again, despite navigating recent challenges in some of our markets due to geopolitical actions, we are very pleased to report a strong start to 2025.

At this point, I will turn the call over to Teresa Finley, TriMas interim Chief Financial Officer and board member, to discuss TriMas consolidated results.

Teresa Finley - *TriMas Corp - Chief Financial Officer*

Teresa, thank you, Tom. First, I'd like to give a shout out to the TriMas team who have supported me during this transition, and especially those of you in the Detroit offices here have spent some extra hours helping me deepen my knowledge of our businesses. We indeed have a talented team here at TriMas.

It's a pleasure to participate in my first earnings call with such encouraging results. On that note, let's turn on to slide 4.

We have delivered solid results this quarter with consolidated net sales increasing 6.4% year over year to \$241.7 million excluding the impact of currency and acquisitions and dispositions, organic revenue growth was more than 8%.

Acquisition related sales growth in the quarter was \$3.3 million. Related to the February 2025 acquisition of GMT Aerospace, merely making up for the loss of \$3.6 million in sales related to the divestiture of Arrow Engine completed in January.

Sales growth was also partially offset by \$3.8 million related to currency.

Consolidated operating profit increased by more than 50% compared to Q1 2024, or \$8.2 million reflecting the strong revenue growth and expanded operating margin of 290 basis points driven primarily by our aerospace business.

This resulted in a meaningful increase in adjusted IIA, which was up 13.5% to \$39.7 million, and a margin improvement of 100 basis points to 16.4%. Our adjusted earnings per share rose to \$0.46, representing a 24.3% growth year over year.

Turning to the balance sheet and our capital position, which is on slide 5.

We continue to manage a strong and flexible balance sheet supported by low interest long-term debt with no maturities due until 2029. During the quarter, we successfully refinanced our senior secured revolving credit facility, extending its maturity to 2030. Net debt increased from the prior quarter due to our strategic acquisition of GMT aerospace, increasing our net leverage to 2.7 times.

Lastly, first quarter of free cash flow improved by \$14.8 million compared to Q1 of 2024 thanks to both strong operational performance and disciplined working capital management.

Overall, we believe our capital structure is well positioned to support both near term operations and future strategic investments. I will now turn the call back to Tom to provide further details on segment performance and our outlook.

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

Thank you, Teresa. Let's turn to slide 6 and I'll cover our segment results for the quarter.

As noted previously, packaging's organic growth was 3.3% after adjusting for negative currency effect. As we discussed on the prior earnings call, we anticipated a more modulated rate of growth in 2025 as compared to 2024, given the snapback in demand that occurred from the very low rate of demand in 2023.

Within our packaging group's main product lines, we further experience solid organic role within our dispensing products, many of which are used in a variety of consumer goods markets. This is an important continuing trend as our packaging group has many innovative dispensing design and functionality solutions for our customers. Additionally, we are beginning to see our life sciences product line sales increase as compared to the prior year period as the med tech and market generally work through inventory destocking in 2024.

Our closure product line was negatively impacted by lower demand in the quarter, which we believe was driven by elevated customer inventory levels entering 2025, most of which was impacted by inflationary supply issues related to the food and beverage and market generally.

Operating profit conversion rates for the quarter were slightly lower by 20 basis points than the prior year quarter. However, the most significant impact to the quarter resulted from incurring incremental costs related to a proactive decision to secure certain materials ahead of changing tariff rates.

This strategically defensive step resulted in approximately 100 basis points of extraordinary freight expense, which, if normalized for this effect, would have resulted in improved margin compared to the prior year quarter.

As we continue to look forward in 2025, the most significant matter we are navigating, like most packaging companies, relates to a potentially changing economic environment related to tariffs. In the near term, we are working with suppliers and customers to best reduce exposure from this geopolitical effect. In the longer term, and if necessary, we are well positioned to relocate production throughout various parts of the world given our global footprint.

As mentioned on a previous earnings call, we have launched a new and larger facility in Vietnam, relocating from a smaller facility within the country. We expect this upgraded facility will serve as an important manufacturing hub to service Asia and other parts of the world.

With respect to imported goods from China, I would note that given our strategy over the past 3 years to regionalize production, we now only import about 5% of our total packaging sales from China.

If the tariff rates implemented against China by the United States remain at the rate in effect currently, we believe we can dampen the near term, the term direct impact with actions already underway and if necessary, accelerate our rate of relocating and insourcing other packaging products over the longer term.

So overall, we remain encouraged by the progress made within our packaging group this quarter, as well as a longer term outlook. At the same time, we are also working diligently to mitigate pending challenges created by geopolitical decisions.

If we turn to slide 7, I'll review our aerospace segment.

As noted, our aerospace group had a record sales quarter of nearly \$90 million of revenue. This was driven by continued increasing demand in the aerospace and defence market, improved throughput against a strong order book, commercial actions, and acquisition-related sales.

Also, our operating profit conversion rate was up significantly by 650 basis points as compared to the prior year quarter.

And with EBITDA margin rates now at pre-pandemic levels. This result was largely driven by our aerospace team's efforts over several quarters ranging from extensive factory floor and operational excellence improvements to fact-based data-driven purchasing and commercial actions.

While we are pleased with the performance to start the year, we also remain excited about the long-term growth outlook given our backlog and continue and continued commercial gains, some of which will benefit our growth trajectory in 2026 and beyond.

We also successfully closed on the purchase of GMT Aerospace, which we have renamed [Ta] for TriMas Aerospace Germany and are currently working on the integration of that acquisition.

For the month and a half of ownership, Tad contributed about \$3 million in sales to the aerospace Group.

On behalf of the entire TriMas management team, we welcome the team at [TA] to the Tri-Mass Aerospace family of businesses.

If we now turn to slide 8, I'll cover specialty products. Specialty product sales were lower as compared to the prior year quarter by \$7.9 million, of which approximately \$3.6 million related to sales lost due to the divestiture of aero engine. The balance, just over \$4 million, related to lower demand for cylinders in Q1 2025 as compared to Q1 2024.

While those are the results, it's not the full story this quarter for Norris cylinder. First, we are starting to see positive change in the rate of order intake which we are monitoring closely and certainly hope it continues.

Additionally, we have already restructured our cost base and anticipate that we can achieve a more normalized conversion rate on a lower sales base.

Finally, in Q1 2025, we sold through inventory at a higher cost base as compared to Q12024 levels, a quarter when manufacturing costs fully adjusted and aligned with lower demand. That is not the case today as our production costs are in much better balance with current market demand.

In light of this dynamic and as anticipated for the first half of 2025, we are in a period where we still need to work through absorbed manufacturing overhead from the prior year period. Knowing that and given the factory floor actions we have already implemented, we are confident that operating

profit conversion will begin to normalize as we move into the second half and would anticipate seeing an operating profit back in the low double digit range by the end of the year.

Importantly, as Norris begins to progress in its recovery, it is poised to make meaningful contribution to TriMas overall performance levels.

Let's now turn to slide 9.

As highlighted in our press release this morning, we are reaffirming our outlook for 2025. While our primary near term challenge relates to the current trade strategy from the US government, which continues to be a fluid situation, we do not yet have enough information to be able to predict the annual impact.

We also remain cautiously optimistic that as trade deals are announced with some countries, that result may provide inertia for other countries to begin to settle with the US.

Before turning to Q&A, I would like to once again state that TriMas is comprised of great businesses with well recognized brand names in the markets they serve. While each business is at a different phase in their respective cycle, all are well positioned to deliver an outstanding future.

Thank you, and with that, I'll turn the call back to Sherry.

Sherry Lauderback - *TriMas Corp - Vice President of Investor Relations and Global Communications*

Thanks, Tom. At this point, we would like to open up the call to questions from our analysts.

QUESTIONS AND ANSWERS

Operator

Ken Newman, Key Bank Capital Markets.

Ken Newman - *Key Bank Capital Markets - Analyst*

Hey, thanks. Morning guys.

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

Morning, Ken.

Morning, congrats on the solid quarter there. Just for clarity, Tom, I know you maintained your full year sales and earnings guidance but just to be clear, is there any change to the segment guidance that you provided last quarter as well?

At this point, no, Ken, we just are, there's so much uncertainty right now that we're not adjusting that at this point.

Ken Newman - *Key Bank Capital Markets - Analyst*

Okay That's helpful. So, just trying to keep that and I understand that this is a fluid environment and there's a lot of change here, but I'm trying to make sure that we're not missing anything and I know you talked about the 100 basis points of impact from higher freight expense and packaging.

Are there, how are you thinking about other investments or potential headwinds, relative to packaging or any of the other segments as you TRY to position yourself to be a little bit more nimble through this environment.

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

Well, I think so first of all, when I think of our ability to adjust to the issues that may arise from tariffs in the near term outside of the expense that we incurred in Q1. I don't see much more of these abnormal type of expenses. A lot of what we're doing is on the procurement and commercial front to mitigate exposure in the near term. If this becomes a prolonged situation with certain parts of the world, then we'll have to make some decisions on where we manufacture, that would have some certainly some cost impact, but I would expect that that, we're probably a couple. At least 2 to 4 months away from making those decisions.

Ken Newman - *Key Bank Capital Markets - Analyst*

Okay, and if you were to make those decisions, what's the time frame in order to kind of realize, some of this movement and production?

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

Yes, that's a great question, and it does depend a bit, but for us, if we're moving operations predominantly in the packaging area where we have assembly, it could take a year, a little bit over a year before we can relocate production from one part of the world to another. If it's something that is more focused on Mouldings only. We can move that quicker, but I would say, it's typically about a year.

Ken Newman - *Key Bank Capital Markets - Analyst*

Got it. Okay.

If I could just squeeze one more in here and then I'll jump back into the queue, look at the aerospace organic growth this quarter was pretty very solid, right? I think almost 28% organic, if you, if you're keeping the aerospace organic growth guide of low double digits for the year, it does imply a pretty sizable step down here from 12 levels.

Can you talk us through the order intake there, how to think about the cadence of growth there, and then also. How do I think about, the operating leverage as we move through the year is 17% segment operating margins the right run rate to look at this business going forward?

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

Yes, I understand, I understand the point, we are coming up, we're going to start coming off a different quarterly base as we move through the year.

I do expect some modest operating leverage gains as we move through the year as well with the aerospace, but at this point, Ken, we're just, we just want to be conservative overall as there's just so much uncertainty out there, but I understand the point.

Ken Newman - *Key Bank Capital Markets - Analyst*

Okay, thanks.

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

Thank you.

Operator

Hamid Khosson, PSWS Financial

Hamid Khosson - *PSWS Financial - Analyst*

Hi, good morning, just following up here, keep the conversation on aerospace. You acquired GMT, so you have more, exposure to Europe and then US, it's very well advertised now in the media about your competitor having the fire and quarter. So, how is that going to play out as far as your capacity is concerned, pricing.

And you know you're talking being conservative, but you know your customers are basically saying that there's just no supply, so can you just, reconcile the commentary that's out there.

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

Yes, well, look, I mean, first of all, the dynamics you put forward are spot on and that does set a basis for a better outlook for us with respect to the aerospace business. We're very excited about the opportunity.

We've been delivering on a quarter over quarter basis now for the past several quarters and you know we expect to continue to drive that with respect to. Adding the acquisition of GMT aerospace that that improves our positioning with Airbus, and we're pretty excited about that. I think we talked about that a little bit on the last call and with respect to the unfortunate event at one of our competitors' manufacturing facilities, and clearly we don't like to see that at all anywhere.

That does obviously relate to some opportunities for us in the space, particularly, where we have overlap. We don't have a fantastic amount of overlap with what that particular plant manufactured, but there's certain product areas where we do. And if we can help out our customers in any way, shape or form for continuity of supply, trust me, we are all over that.

Hamid Khosson - *PSWS Financial - Analyst*

Okay, so can you just reconcile like why are you being conservative though given the dynamics that we're seeing and then adding to that, in Europe, you're seeing increased spending in in defence right now.

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

Yes, look, as I mentioned to Ken, I we understand the point. We just put our guidance out a few months ago and we're in a period where it's a little bit uncertain, so we'd like to get through the second quarter and take a look at our segment of 4. Casting and if we feel comfortable, make some adjustments there but overall right now we're, we feel we're off to a great start if it wasn't for a the uncertainty and tariffs, we'd probably be guiding on an overall annual basis to the higher end of our range or beyond.

Hamid Khosson - *PSWS Financial - Analyst*

Got it. Okay. And then on the packaging side, are you done with the CapEx investments you made last year and how is that going to look as far as the end market sales go and the order intake you're seeing, now.

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

Well, I'm not sure. We're done with CapEx investments because we continue to invest on our, in in capacity and adding to our factory floor for to drive organic growth. I do think that the CapEx rate for packaging will be more moderate than it was in prior years and we're pretty keen on.

Trying to sell products where we do have available capacity. That being said, there still is a demand for certain product lines where it [behooves] us to invest in capacity and make capital investments. But I think the rate of spending will be lower in 2025 and beyond than it was over the past 2 years or 3 years.

Hamid Khosson - *PSWS Financial - Analyst*

Okay, and then lastly, could you just talk about what drove these gains for you in beauty and personal care? Was it new product introductions, was it taking share, any, anything, any color would be great.

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

So it's a little bit of both, we are in certain parts of the world, we believe we are capturing some share, particularly in Latin America, and then we do have a product line which is a, it's not a large dose pump, it's a larger dose pump. I would it's 4 cc and that market a which the application is predominantly lotions.

That end market is very strong right now and remember in 2023 it was extremely weak and we're seeing a lot of continued demand there we believe our dispensing pump is has some advantages over competitors and we're selling that pump to some pretty fantastic CPG customers and it's growing nicely around the world.

Hamid Khosson - *PSWS Financial - Analyst*

Great, thank you. Thank you.

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

Thank you.

Operator

Ken Newman, Key Bank Capital Markets

Ken Newman - *Key Bank Capital Markets - Analyst*

Hey, thanks for the follow up here. Just one quick one is Tom, can you just talk a little bit about, the sense that you're getting from where inventories are at your customers distributor channels, we're getting a lot of questions not just across all of our names that we cover whether or not customers are showing any kind of pre-buying activity to get ahead of tariffs, and I'm curious if you're seeing anything that would suggest that type of behaviour.

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

And what are you just talking generally across all product lines?

Ken Newman - *Key Bank Capital Markets - Analyst*

Correct, yeah, and any color across the product lines would be great.

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

Yes, I think, there may have been, there may, we're starting to see a little bit of that, I think, with respect to Norris cylinder, believe it or not, Norris would be a positive recipient to tariffs given that the competitors are predominantly overseas. Or offshore, within aerospace I would say not really that the strong demand that we have for our products there is a function mostly of the of the strength in the aerospace and defence market right now.

And within packaging, I guess there might be pockets or two with some customers in some parts of the world that, would take advantage of.

Some buying opportunities, but we're, there's some parts of some product lines that we have that were down compared to the prior year quarter, so they came into the year, particularly in closures, for example, they came into the year where they were overstocked. So, I wouldn't say there's anything too abnormal that we experienced in the in the first quarter on that front.

Ken Newman - *Key Bank Capital Markets - Analyst*

Okay, that's helpful and then maybe one last one for me, as it relates to the full year sales guide, and again I understand everything is kind of fluid here, but from a pricing perspective it doesn't sound like you pushed a lot of price to offset, any kind of tariff impacts here in the first quarter, but how are you thinking about organic pricing relative to volumes, within that 4% to 6% range?

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

Yes, good, that's a good question, and certainly if tariffs hold, much longer in Q2, you, we might see some, impact to that in our year and guide in the sales front.

We'll know more at the end of Q2, that's all I can say.

Ken Newman - *Key Bank Capital Markets - Analyst*

Understood, thanks.

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

Okay, thank you very much. Any more questions?

Operator

Ladies and gentlemen, as there are no further questions, I will now have the conference over to the management for their closing comments.

Thomas Amato - *TriMas Corp - President, Chief Executive Officer, Director*

Okay, thank you very much for joining us on our earnings call and we look forward to updating you again next quarter. Have a great day.

Operator

Thank you. Ladies and gentlemen, the conference of TriMas Corporation has now concluded.

Thank you for your participation. You may now disconnect your lines.

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