THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

TRS - Q4 2017 TriMas Corp Earnings Call

EVENT DATE/TIME: FEBRUARY 27, 2018 / 3:00PM GMT

CORPORATE PARTICIPANTS

Robert J. Zalupski *TriMas Corporation - CFO*

Sherry Lauderback *TriMas Corporation - VP of IR & Communications*

Thomas A. Amato *TriMas Corporation - CEO, President & Director*

CONFERENCE CALL PARTICIPANTS

Andrew Millard Casey *Wells Fargo Securities, LLC, Research Division - Senior Machinery Analyst*

Kenneth H. Newman *KeyBanc Capital Markets Inc., Research Division - Associate*

Matthew Butler Koranda *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Karen K. Lau *Deutsche Bank AG, Research Division - Research Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the TriMas Fourth Quarter and Full Year 2017 Earnings Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Ms. Sherry Lauderback. Please go ahead, ma'am.

Sherry Lauderback - *TriMas Corporation - VP of IR & Communications*

Thank you, and welcome to the TriMas Fourth Quarter and Full Year 2017 Earnings Call. Participating on the call today are Tom Amato, TriMas' President and CEO; and Bob Zalupski, our Chief Financial Officer. Tom and Bob will review TriMas' fourth quarter and full year 2017 results as well as provide details on our 2018 outlook. After our prepared remarks, we will open the call up for your questions.

In order to assist with the review of our results, we have included the press release and PowerPoint presentation on our company website, www.trimascorp.com, under the Investors section. In addition, a replay of this call will be available later today by calling (888) 203-1112 with the replay code of 5174328.

Before we get started, I would like to remind everyone that our comments today, which are intended to supplement your understanding of TriMas, may contain forward-looking statements that are inherently subject to a number of risks and uncertainties. Please refer to our Form 10-K for a list of factors that could cause our results to differ from those anticipated in any such 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.

I would also like to refer you to the appendix in our press release issued this morning or included as part of this presentation, which is available on our website, for the reconciliations between GAAP and non-GAAP financial measures used during this conference call. Today, the discussion on the call regarding our financial results will be on an excluding special items basis.

At this point, I would like to turn the call over to Tom Amato, TriMas' President and CEO. Tom?

Thomas A. Amato - *TriMas Corporation - CEO, President & Director*

Good morning, and thank you, Sherry. Before I go through our fourth quarter and full year results, I would like to spend a few minutes to provide some additional background on the year. I joined TriMas about 18 months ago, coming to the company when certain of its key reporting segments were facing operational, strategic and end-market challenges. The first order of business was to swiftly address matters impacting throughput at a few plants that were otherwise causing disruption and uncertainty in our planning. During this initial phase, I quickly identified that we needed to upgrade our business management processes. So coming into 2017, I introduced the TriMas Business Model, which provides a standardized process to set goals and ensure performance against our plans across our multi-industry businesses.

Fortunately, given the manufacturing acumen within each of our businesses, the operating language was the same. For example, we work on and measure every day discrete items that drive operational excellence. We needed, however, an improved level of engagement to proactively drive value. The introduction of the TriMas Business Model enabled rapid progress against this effort, and it also facilitated a process to improve our front-end commercial and strategic approaches. We made tough decisions to exit certain regions and even exit certain components, not product lines but components.

We standard the -- we started the process to enhance our technical breadth and commercial talent, particularly in our Packaging and Aerospace segments as we paid the way for longer-term growth. For example, in our Packaging segment, we have 24-hour engineering on key projects supported by talent in the U.S., Europe and India. Because we have an established technical center in India within TriMas, we are exploring adding engineering resources to our Aerospace team, thereby adapting a similar 24-hour engineering model. This is just one example of high-impact changes we have made to leverage the TriMas model and improve our long-term growth.

I would also like to note that we did not make changes for change sake. Our overarching premise was intended to transform TriMas from a reactive company into a proactive company by operating in a culture that is data-driven and fact-based with a high sense of urgency. With this background, 2017 marks my first formative fiscal year at TriMas. And on behalf of the entire operating team, I am pleased to report excellent progress against our plan.

Turning to Slide 5. Our fourth quarter net sales were up 5.2% to $195 million, with sales increases in 3 of our 4 reporting segments. Operating profit was up 22.7% to $23.4 million as our realignment actions continue to take hold, and we widened our operating profit margin to 12% from 10.3%. Earnings per share was also up at 3.3% at $0.31 per share. These are solid results for the quarter.

Turning to Slide 6. This table highlights where we finished the year on LTM EBITDA and net debt and leverage. As you can see, we are in a strong financial position. We reduced net debt over the year by $78.4 million to $275 million. This is despite incurring refinancing fees and related cash expenses in excess of $6 million to secure our new favorable credit facility.

We increased our LTM EBITDA by $9.1 million to $154.8 million, which rounded about 19% of sales. We reduced our leverage ratio by 0.7 of a turn, driven by our improved earnings performance and free cash flow. Our ability to deleverage at this pace is a key attribute of TriMas. Additionally, we finished the year with over $350 million of cash and available liquidity, which positions TriMas well for future growth opportunities.

Turning to Slide 7. As we review our full year performance, I am pleased to report that we increased sales by 3%, achieving higher sales in each of our segments. Operating profit was $106 million, which is up $11.7 million or 12.3% as compared to the prior year. Operating profit margin was 13% as compared to 11% -- 11.9%. I will note now, but Bob will discuss later, that the above performance is burdened by approximately $20 million or 2.4% of sales of prior acquisition-related noncash intangible amortization expense, which is concentrated in 2 of our reporting segments. Therefore, TriMas' operating profit before noncash intangible amortization expense would have been more than 15% for 2017. I'd like to highlight this as noncash expense given its derivation.

Net income was $64.4 million, up 11.5% as compared to the prior year. And earnings per share was up 11.1% to 1.40, which was on plan and in line with our guidance. We generated just over $100 million of free cash flow, posted a record -- posting a record level of free cash flow conversion. Consistent with our prior communications, we principally use our cash to reinvest in our businesses and pay down or offset debt, both of which benefit our shareholders. In summary, 2017 was a solid year, and we are pleased to have delivered upon our commitments.

Turning to Slide 8. We wanted to recap our overarching strategy to unleash value across TriMas and our family of businesses. We believe TriMas' operating approach and resulting characteristics provides a unique opportunity for long-term value creation. First, as noted previously, we rely on our proprietary TriMas Business Model to drive performance under a standardized approach and set of expectations. This model is the basis for our resource and capital allocation decision-making and ensures we are proactive as opportunities emerge or markets shift.

Next, we seek to drive growth through innovative solution, which could be product, process or service related. Given TriMas' exceptional cash flow, we have the ability to invest in product technology, commercial resources, factory floor enhancements and M&A, all to shape our businesses for future growth.

We leverage our enterprise-wide resources and experiences to enhance performance of our businesses. For example, our businesses benefit from connectivity, resource sharing, capitalization and planning as part of a larger global entity. We have refocused this effort under the TBM, and we continue to identify in-house synergies, which we will action upon. One example of this is our newly formed Specialty Products segment, which we'll discuss later.

Finally, this all comes together with a relentless focus on cash conversion. In 2017, one of our goals was to strength TriMas' balance sheet, which we achieved. We also continually explore strategic bolt-on acquisitions as well as other opportunities, including share buybacks and dividend actions.

Turning to Slide 9. To further support some of the concepts that's discussed on the previous slide, I thought it may be helpful to provide some color to our shareholders and some of the more notable accomplishments in 2017. I won't go through all of these, but I'll highlight a few.

In our Packaging segment, we have invested and are investing in technical talent and manufacturing capacity to launch a new line of e-commerce lotion pumps and trigger sprayers. Our Rieke business has developed a unique and innovative locking technology that provides our customers with solutions in the demanding shipping environment. In fact, we have passed Amazon's rigorous shipping test standard and are actively working with their brand managers on e-commerce opportunities. We are very excited about continuing to invest in and rollout these products globally.

In our Aerospace segment, we also put in place an organization and operating approach that led to significantly improving on-time delivery of certain fasteners and machine components. We received the quality improvement award from Airbus for our commerce California plant, which highlights the great progress we have made over the past year. We both consolidated or relocated 13 facilities. While these realignment efforts will improve our production efficiency and customer support, we have also invested significantly by adding capacity for future growth. And as mentioned on previous calls, we are pleased to have completed our fixed rate refinancing, which is even more meaningful with the recent uptick in interest rate spreads.

Let's turn to Slide 10, where I've highlighted a few examples where we have invested for the future. First, we've invested in a new facility in San Miguel, Mexico, which is in the early stages of ramping up. This facility, which is part of our Rieke business, will largely be focused on polymeric injection molding and assembly of dispensers and caps for the food and beverage and health, beauty and home care end markets.

Next, we purchased a used forging line and are in the final stages of completing a multiyear reconditioning process to add capacity to our Norris Cylinder plant in Longview, Texas. There's 2 important points here. First, we estimated to have saved more than $10 million by refurbishing a used line as compared to installing a new forging line. And also, we de-risked the operation by adding the second forging line to our Texas plant. So as you can see, 2017 was an active year of beginning to reposition TriMas and investing for our future, all while delivering solid results.

With that, I will turn it over to Bob who will take us through segment performance and outlook. Bob?

Robert J. Zalupski - *TriMas Corporation - CFO*

Thank you, Tom, and good morning. As Sherry noted earlier, all my comments today will be on an excluding special items basis. I'll begin my comments today with a high-level review of our segment performance on Slide 12.

We continued the trend of improvement in our year-over-year sales growth with more than 5% sales growth in the fourth quarter, as our Packaging, Energy and Engineered Components segments all experienced organic growth. More importantly, we converted well on these additional sales with growth in our segment operating profit of more than 3x of sales growth rate for both the fourth quarter and on a full year basis. Year-over-year, we improved fourth quarter operating profit 17% and full year 2017 operating profit 10%, despite the less favorable product sales mix and inefficiencies as a result of Hurricane Harvey. Overall, our financial and operating performance was on plan for the fourth quarter and full year, and we have laid the foundation for another successful year in 2018.

Moving to Slide 13. Fourth quarter net sales in our Packaging segment approximated $85 million, up 3% compared to the prior year period. During the quarter, we increased sales levels to our industrial customers in North America and once again experienced higher sales in Asia due to continued growth in several major multinational customers for our health, beauty and home care products. Although lower than the prior year, Packaging generated solid operating margins in Q4 at 22.2% due to the impact of the plant ramp-up in Mexico and continued investments in sales and technical resources targeted at future growth. Despite these longer-term investments, operating profit margin for full year 2017 was nearly 24%.

We entered 2018 with strong levels of coating activity and, as Tom mentioned, with a significant number of new and innovative products. We anticipate sales growth rates in 2018 of approximately 3% with operating profit margin remaining in the range of 22% to 24%. We continue to invest in the front end of our business in the form of additional sales and technical resources, as well as new innovative designs and product applications to drive sustainable longer-term growth in this business.

Continuing on Slide 13 with our Aerospace segment. Fourth quarter net sales were relatively flat at $43 million. As you may recall, Q4 2016 included incremental sales related to a reduction in the level of past due shipments from earlier in 2016 as we ramped production levels and improved manufacturing efficiencies in the second half. We reported operating profit of $6.5 million and an operating margin of 15.2% compared to 3.1% in the prior year. The $5.2 million increase in operating profit was primarily a result of our continued performance improvement actions in each of our manufacturing facilities. For full year 2017, our Aerospace segment increased sales 5.4%, while improving operating profit margin by 400 basis points to 14.2% compared to 2016. Although we achieved significant progress in 2017, there is still more work to do primarily in our standard fastener operations.

With respect to 2018, we expect underlying sales growth of approximately 4%, generally in line with forecasted industry build rate. However, in an effort to continue to streamline operations and improve our operating margins, we are exiting up to $4 million of less profitable business in 2018, primarily in the machine components product line, which tempers our growth expectations to about 2%. We expect operating profit margin will be in the range of 15% to 17%. We will continue to focus on new product qualifications in 2018 as well as cross selling our full suite of products through our OEM distribution customers, all while continuing to improve operating performance.

Turning to Slide 14, Engineered Components. Fourth quarter net sales increased $6.6 million to $30.4 million or approximately 28% when compared to the prior year period. We increased sales of our industrial cylinders by nearly $5 million, primarily due to higher sales of small to midsize high-pressure cylinders. Sales of oil field engines and compression products also increased as we experienced higher demand levels, consistent with increased oil and gas well completion activity in the U.S. and Canada.

Operating profit in Q4 increased to $3.3 million, which resulted in an operating margin of 11%. The benefits of higher sales levels were largely offset by the impact of higher steel prices in the quarter and a less profitable sales mix, as lower margins, small high-pressure cylinder products comprised a greater percentage of the sales increase year-over-year.

For full year 2017, our Engineered Components segment grew by approximately 7%, while maintaining operating margins near 13%. Our focus remains on managing the variable cost structures in each business in this segment, while seeking to capitalize on share gain opportunities in response to end-market demand.

Continuing with the discussion of our Energy segment, also on Slide 14. Fourth quarter sales increased slightly compared to the year ago period to $36.7 million, primarily due to increased customer demand resulting from our improved on-time delivery rates. This sales improvement more than offset lower sales related to deemphasizing less profitable geographic regions and the reduction in turnaround activity due to the impact of Hurricane Harvey.

Operating profit for the quarter also increased slightly to $1.1 million, and operating margin improved to 3%. While our realignment actions and productivity initiatives continue to positively affect year-over-year performance, the impact of these actions were tempered by a much less favorable sales mix and higher production cost due to the hurricane. We believe many of our customers deferred a significant number of previously planned fall turnarounds versus 2018.

For full year 2017, the Energy segment increased sales 1.6% year-over-year, despite the hurricane impact and deemphasis of certain less profitable sales in regions, and improved operating profit margin by 230 basis points.

As disclosed in our earnings press release earlier this morning, for 2018, we will combine our Engineered Components and Energy segments into a single reporting segment, titled Specialty Products. We expect Specialty Products to achieve sales growth of approximately 5% in 2018, as Lamons, Norris Cylinder and Arrow Engine are well positioned to capitalize on the recovering energy and industrial end markets. We expect to leverage anticipated higher sales levels as well as our realignment actions and improved cost structure to achieve an overall segment operating margin in the range of 10% to 12%.

TriMas will report its results in the new segment structure beginning in the first quarter 2018. Also, please see this morning's 8-K filing and related exhibit for historical quarterly information related to this segment reporting change.

At this time, I will turn the call back to Tom to discuss our total company outlook and for the wrap up. Tom?

Thomas A. Amato - *TriMas Corporation - CEO, President & Director*

Thank you, Bob. Turning to Slide 16. Before I cover our 2018 guidance, I want to highlight a few changes to our reporting approach where we are improving our communications with our shareholders.

First, on the impact of the Tax Cuts and Jobs Act. As a result of the tax reform, our fourth quarter GAAP results included onetime tax charges of approximately $12.7 million or $0.28 per share. More importantly, tax reform will have a positive impact on TriMas' tax rate, as we expect 2018 effective tax rate of 22% to 24%.

Next, as noted earlier, we will be consolidating our Energy and engineered -- Engineering Components segments into a new reporting segment called Specialty Products. Therefore, activity from our Lamons, Arrow Engine and Norris Cylinder industrial businesses will be reported in this new segment.

We have identified and continue to identify opportunities to leverage resources within TriMas and this is a perfect example. Specifically, we have further rationalized our Arrow Engine business into one production location. When I started, there were 4. This streamlining or simplification led us to hiring an operational excellence veteran, who will also support our other businesses in this segment.

We are also beginning the process to share back-of-the-house resources and expertise as we leverage the TriMas model and assist our businesses in achieving their plans and strategies.

Third, we have a number of projects managed by our corporate staff, given their unique skill set that relate to legacy operational matters. So to get a better sense of our segment operating performance, we will split these items out as legacy cost and report at the corporate level.

Finally, as noted previously, we will provide additional color on acquisition-related intangible amortization expense. So hopefully, these positive changes are appreciated as we move forward together.

Turning to Slide 17. For our 2018 guidance, we are forecasting organic sales growth of approximately 3%, in line with GDP. Although we are still very early into the new year, we are optimistic given the robust coating activity that we have seen to date. We are forecasting earnings per share to be in the $1.60 to $1.75 range with the midpoint being up 20% versus last year. We are also forecasting free cash flow to be up to be above 120% of net income, which we have taken up from our prior long-range target. We anticipate capital expenditures to be in the 3% to 3.5% range, as we complete some of the more significant investments from the past years. We are planning on corporate cash expenses to be around 2.3% of sales, excluding legacy cost, and we will continue to seek to tightly manage these expenses and gain operating leverage as we grow.

Turning to Slide 18. As we look ahead, we are very pleased with our accomplishments and performance in 2017; however, we have much work to do. We remain committed to continuing to leverage the TriMas model to improve performance of our businesses and achieve our organic growth plans. We also are exploring strategic bolt-on acquisitions within the segments where we have the highest return opportunities. Likewise, we continue to invest capital in products and end markets under a disciplined capital approach. We're very proud of our capital-expenditure-light characteristic and the excellent cash conversion we provide to our shareholders.

And turning to Slide 19 and before I open the call to Q&A, I just wanted to end with the reminder of our capital allocation priorities. We prioritize reinvesting in our businesses for growth and performance, offsetting or paying down debt, which transfers equity value to shareholders and then exploring M&A, share buyback and dividend actions. As you can see, we are excited about our prospects for TriMas in 2018 and beyond, and our entering the year with positive momentum.

Thank you for listening. And we will now turn over the call to the operator for Q&A. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we'll hear first from Andy Casey with Wells Fargo Securities.

Andrew Millard Casey - *Wells Fargo Securities, LLC, Research Division - Senior Machinery Analyst*

I was just wondering, if you could help. I know you have the 8-K out, and maybe it's in there. But basically some questions around the Specialty Products segment. First, the 2018 10% to 12% margin guidance on face value seems to be like low 50% incremental margin at the midpoint. But you've just outlined some other things that could be causing some of the margin improvement. Could you detail some of the buckets behind that? I mean, is it partly relocation, the legacy costs and the amortization expense? Or is it all basically other initiatives?

Thomas A. Amato - *TriMas Corporation - CEO, President & Director*

Well, it's a little bit of both. We have -- we're anticipating some improvement occurring in some of the end markets that we're in. I think Bob talked a bit about some of the weather activities that impacted us in our Lamons business. So we're anticipating a -- having a spring turnaround season that will be more robust and improved from prior years. We're also seeing some other positive effects that are occurring related to crude generally and also within our Norris business. So we're seeing some positive business end-market fundamentals then coupled with the integration or synergy efforts that we're seeking to gain from this step.

Andrew Millard Casey - *Wells Fargo Securities, LLC, Research Division - Senior Machinery Analyst*

Okay. Is there any way to outline how big those synergy benefits could be for '18?

Robert J. Zalupski - *TriMas Corporation - CFO*

Well, I think it's inherent in the margin guidance we provided, Andy. And I would anticipate that we're going to capitalize on synergies as we progress through the year versus something that's immediately available on day 1. Again, this is something that we embarked on for the 2018 year. And in terms of some of the back office opportunities, it will take a little bit of time to integrate and take advantage of those. I think it's really more a matter of leveraging previous realignment and consolidation actions, given higher sales volumes we expect in 2018.

Andrew Millard Casey - *Wells Fargo Securities, LLC, Research Division - Senior Machinery Analyst*

Okay. And then there's a lot of chatter out there about steel raw material cost increases. You guys encountered some of that in the fourth quarter. Given all the discussion about potential tariffs and the like, can you kind of address for us what sort of lag between further potential increases and your ability to go get price and offset, at least protect your margins? What -- is it a quarter or is it even shorter than that?

Robert J. Zalupski - *TriMas Corporation - CFO*

I think it depends on the segments. If you look at Packaging, our ability to pass along incremental commodity costs is generally more favorable than it is, for example, in the Norris Cylinder business. I think the challenge is the steel price increases we see within Norris, generally speaking, are greater than what we've experienced in Packaging, a, and then b, because of customer consolidation in terms of some of the larger gas companies and some of the dynamics that, that creates relative to pricing in the marketplace, the ability to pass along in that businesses is more challenging. And I think we saw that to some degree in the current year margin performance in Norris, where that higher steel cost did around some of the historic margins that we experienced in that business previously.

Operator

Our next question will come from Karen Lau with Deutsche Bank.

Karen K. Lau - *Deutsche Bank AG, Research Division - Research Analyst*

So just on packaging. Could you give us an update on what you're seeing in the North American health, beauty and home markets? And in the 3% growth that you've guided to, what's kind of baked in? Are you assuming that piece of the market to come back this year?

Thomas A. Amato - *TriMas Corporation - CEO, President & Director*

We're seeing -- we're continuing to see a little bit of softness in HPSC specifically, and we're benefiting from other end markets that we're in that are performing better, particularly, beverage -- food and beverage and our markets in Asia. Bob, on the specific what part of the 3% is HPSC?

Robert J. Zalupski - *TriMas Corporation - CFO*

HPSC globally, we're looking to be relatively flat to modestly up. And that's really kind of (inaudible). Asia, we expect to see some growth in the HPSC, kind of tempered or moderate above what we're seeing in North America and Europe.

Karen K. Lau - *Deutsche Bank AG, Research Division - Research Analyst*

Okay, got it. And just on the new programs that you talked about in Packaging, what are the margin profiles for those new programs and new businesses? And just on the overall margins for Packaging, if I were to be a little bit picky, it's a little bit below the kind of 24% range that you have been running at, which I realize is not inconsistent with what time you have talked about in the past in terms of the longer-term trajectory. But just curious, like in terms of the margin guide, how much of that would be -- maybe new program margin drag versus San Miguel versus maybe like catch-up in resins cost?

Thomas A. Amato - *TriMas Corporation - CEO, President & Director*

Good question. So you have a couple of the drag items that would be -- that you mentioned: resin and San Miguel. As far as new programs coming in, outside of the temporal period where you're launching and ramping up, they should be consistent with or perhaps even helpful to our margin overall.

Karen K. Lau - *Deutsche Bank AG, Research Division - Research Analyst*

Okay, got it. And then just like maybe bigger picture question. Does -- Tom, does the tax reform change in anyway how you think about capital allocation going forward? And specifically, does it make it more enticing for you to potentially sell some businesses or assets, given maybe the tax leakage maybe a little bit less? How are you thinking about that?

Thomas A. Amato - *TriMas Corporation - CEO, President & Director*

Certainly, with respect to the additional cash provided annually from lower taxes, we are thinking differently about where we deploy capital. And TriMas is about -- correct me if I'm wrong, Bob, 85% U.S. And there was a time not too long ago where being significantly global was the true advantage. I think it's a great time to be predominantly a U.S. company because we still haven't seen come through yet in a incredibly meaningful way what could happen with some of our end markets with some booster shots related to infrastructure spending. So I'm excited about investing in the U.S. and putting resources in the U.S. and leaning into this new tax law change. But with respect to portfolio overall, fairly, it adds the benefit if we ever choose to go that route. I mean, that's helpful. But it's not like how we set the strategy and portfolio for TriMas overall change as a result of the tax law.

Operator

(Operator Instructions) We will go to Steve Barger with KeyBanc Capital Markets.

Kenneth H. Newman - *KeyBanc Capital Markets Inc., Research Division - Associate*

Ken Newman on for Steve. So my first question is back on Packaging. There's been a lot of restructuring and shifting in the global footprint. Once you get past all of that, what do you think sustainable margin rate could look like for that business?

Thomas A. Amato - *TriMas Corporation - CEO, President & Director*

We historically have guided to 22% to 24%. And at this juncture, we don't really see any factors near term that would cause us to sort of change that due.

Kenneth H. Newman - *KeyBanc Capital Markets Inc., Research Division - Associate*

Okay. Well, I guess, as a follow-up to that, is there a way that we should think about consumer growth versus industrial growth within that segment? And I guess, anyway you can help us quantify what the start-up costs were in this last quarter for the new facility in Mexico?

Robert J. Zalupski - *TriMas Corporation - CFO*

Well, I think, in terms of the start-up drag from a -- on a full year basis, we're probably talking $1.5 million to $2 million in terms of incremental operating costs associated with the new facility. Obviously, it's a significant investment, provides a significant amount of capacity, and we're just in the process of ramping to take advantage of that capacity and to get efficiencies out of what otherwise be a -- should be a very efficient and modern client. In terms of end-market growth, in terms of whether it's by geographic region or industrial versus consumer, I think, generally speaking, industrial in this -- the segments we're in for Packaging are kind of 2% to 3% [tax]. I think there's opportunities for more growth or higher growth rates in the consumer oriented, but it's also very competitive there. And so that's where a pipeline of new and innovative products is important. And that is why from a longer-term growth perspective, we're investing in both front-end sales as well as technicals and engineering resources to maintain that product pipeline. Tom, anything else you would like to add there?

Thomas A. Amato - *TriMas Corporation - CEO, President & Director*

(inaudible)

Kenneth H. Newman - *KeyBanc Capital Markets Inc., Research Division - Associate*

Okay, that's helpful. And then one more for me. You kind of alluded to a little bit from Andy's question earlier. But any way you can help us think about what are the expectations for price, costs that are built into your guidance for each of the segments? What kind of price are you expecting to get within that 3% sales growth?

Thomas A. Amato - *TriMas Corporation - CEO, President & Director*

I don't know that we think about it quite that way. Obviously, to the extent we have pricing opportunities, we leverage those. And otherwise, we have to be competitive in the marketplace. I think it's probably fair to say that it's negligible relative to the underlying 3% change.

Robert J. Zalupski - *TriMas Corporation - CFO*

Yes, that's exactly right.

Operator

(Operator Instructions) We will go to Matt Koranda with Roth Capital.

Matthew Butler Koranda - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Wanted to swing back to the Specialty Products segment just for a moment, if I could. Maybe to oversimplify, what I'm getting is basically that the streamlining benefits you highlighted are essentially, I guess, putting sort of back office items that were done at the independent businesses back into corporate. Is that sort of how to think about it? And then could you just quantify the benefits there?

Robert J. Zalupski - *TriMas Corporation - CFO*

No. There are couple different things, when I brought up what we are moving to corporate, that related to cost, historical cost, that really don't relate to ongoing operations at this point anymore. And previously, they were reported to some of our businesses. We're pulling that up, and we're going to separate that out so our investors can clearly see this -- we call these tail costs separate from our reporting segments. The types of synergies or integration that we're seeking to give one specific example is in the IT area, where we are looking in at having the IT teams -- all of our facilities for the businesses that are in specialty products are in -- predominantly in the South and sort of in the Gulf region, South and Gulf region. And because of that, we can have certain teams work together and leverage those teams. I really don't want to go into more than that, but we see a number of opportunities in this area.

Matthew Butler Koranda - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Okay, all right, got it. That's helpful. And then just looking at Aerospace and the outlook there for 2018, I guess, if I strip out the impact of sort of the exiting of the $3 million to $4 million, it looks like maybe the underlying growth rate that you guys implied is a little north of 3% or maybe a little south of 4%. Could you help us understand just what assumptions you're making in terms of channel growth on OE distribution?

Robert J. Zalupski - *TriMas Corporation - CFO*

Fairly consistent across our main channels because our distribution is going to -- a lot of our distribution goes to OE anyway with our products. So it's fairly consistent.

Matthew Butler Koranda - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Got it, okay. And then in terms of the margin outlook, just wondered if you could sort of help us with the puts and takes there. I know you were -- I think last quarter you were talking about sort of moving certain processes for standard products in-house. Does the margin guidance consider that action? And what other actions are you taking to boost margins this year?

Robert J. Zalupski - *TriMas Corporation - CFO*

Yes, good question. And we have taken an incredible amount of actions in a number of our plants in '17. And we can see the benefit coming through in this past year. And as we look forward, we continue to see opportunities to perform better. But there are opportunities that we also see that will take -- will extend into '19, that just take without boring you with the complexities of certain process changes, especially given the industry that we're in, it will take longer. So we expect this year will be a year where we really start to narrow the areas where we have still some drag on our Aerospace performance and attack them fully and get them behind us into '19. And one point I wanted to make too. What drove us to highlighting out the intangible amortization expense, you could see largely relates to this business. We have been talking about on prior calls, our Aerospace business being sub-20%, and then when you look at our operating profit with adding back the amortization expense related to prior acquisitions were up to 20%. So it's not quite humming as we would like, but it's running a lot better.

Operator

With no additional questions, I'll turn the floor back over to our speakers for any additional or closing remarks.

Thomas A. Amato - *TriMas Corporation - CEO, President & Director*

So I'd like to thank everybody for their time today. Again, we're very excited about the momentum we're carrying out of 2017 and into '18. Thank you, again, for your time. I look forward to speaking with you on our next call. Take care.

Robert J. Zalupski - *TriMas Corporation - CFO*

Thank you.

Operator

Thank you. Ladies and gentlemen, that does conclude today's conference. Thank you all, again, for your participation. You may now disconnect.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.