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PRESENTATION

Operator

Greetings. Welcome to TriMas fourth quarter and full year 2024 earnings conference call.

(Operator Instructions). As a reminder, this conference is being recorded. It is now my pleasure to introduce Sherry Lauterbach, Vice President of investor relations. Thank you. You may begin.

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

Thank you and welcome to TriMas Corporation's fourth quarter and full year 2024 earnings call. Participating on the call today are Thomas Amato, TriMas's President, CEO; and Scott Mell, Chief Financial Officer. We will provide a prepared remarks on our fourth quarter and full year results and 2025 outlook, and then we will open up the call 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 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 137-44326.

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 10-K 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 to you, refer you to the appendix in our press release or our presentation for the reconciliation between GAAP and non-GAAP 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'll turn the call over to Thom Amato. Thom?

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

Thank you, Sherry. Good morning and welcome to TriMas's quarterly earnings call. Let's turn to slide 3. As we reflect on the final quarter of 2024, which was a better comparison quarter to the prior year than the first three quarters, we experienced several positive trends in both financial and non-financial key performance indicators across all of our business lines. Furthermore, we believe these trends provide a solid foundation for 2025 and position us well for the future.

In each of our businesses and in different ways get the variability we often experience with our diverse set of end markets, we have taken meaningful actions aimed at improving customer engagement and conversion rates, enabling us to capitalize on growth and new opportunities going forward.

Within TriMas's packaging, our largest segment representing 55% of total sales, we achieved organic growth of nearly 10% compared to the prior year quarter.

This growth was driven by our dispensing product lines, particularly for products used in the beauty and personal care and markets. Due to the snapback in demand compared to 2023 levels, we have had to make investments in assembly lines and injection molding machines throughout the year and tooling refurbishments more specifically in the fourth quarter, all to accommodate increasing volumes.

As a result, in locations where we have had practical capacity constraints in prior quarters, we are now starting to see improvements in overall equipment effectiveness, or OEE, and which in our experience is a leading indicator to improved financial performance as we move forward. And in fact, we're off to a nice start in 2025 within our packaging group as well as in all of our business platforms.

Within the TriMas Aerospace Group, which represents 32% of total sales, we have made investments and have taken numerous actions to improve upon OEE on key production lines at several locations. These manufacturing excellence initiatives, coupled with concluded commercial actions are allowing TriMas to benefit from a recovering aerospace and defense market.

We have been seeing this throughout the year, but it is worth highlighting the significant improvement in the segment EBITDA rates compared to the prior year period. Importantly, we are entering 2025 with a strong order book and expect momentum in this segment to continue throughout the year. Regarding our specialty product segment, which represents 13% of total sales, we have successfully closed on the sale of our arrow engine business as announced at the end of January.

So, for simplicity, I will limit my comments today to nor cylinder only for this segment. As we anticipated, we believe Norris's cylinder is now at the bottom of the significant destocking demand trough that we experienced throughout 2024.

Norris cylinder sales for the quarter were slightly lower than the prior year quarter, down about 6.5%. Importantly, given the dynamics in the cylinder market, we have taken additional cost restructuring actions to operate with improved performance at lower annualized sales rates as we move into 2025. Scott will discuss this in more detail as we believe Norris Cylinder will now begin to contribute more to TriMas absolute earnings in 2025.

It is important to note that as related to Norris cylinder in the fourth quarter, the drag on operating income compared to the prior year quarter was just over $2.2 million. And given our scale, this would translate to approximately $0.04 per share in the fourth quarter, as anticipated recovery in customer capital expenditures which drive cylinder demand was deferred to 2025.

While this was the largest specific driver impact in the fourth quarter, it also importantly highlights the prospective benefit to TriMas as Norris cylinder begins its recovery, even on a modest sales base in 2025. Let's turn to slide 4, and I will cover some forward planning items.

Before reviewing the items on this slide, it is important to note that TriMas enters 2025 with a strong balance sheet and low leverage. This characteristic enables TriMas to continue to invest in growth and factory floor improvements in our businesses, return capital to shareholders through share buybacks and dividends, and augment organic growth through bolt on size acquisitions.

As announced previously and noted on this slide, we completed the acquisition of GMT Aerospace, a Germany-based manufacturer of tie-rods used in a wide range of structural aerospace applications. Annualized sales are approximately EUR22 million with sales to Airbus representing nearly 50% of its revenue. Importantly, this acquisition adds the first manufacturing location in Europe to our TriMas Aerospace Group. A critical strategic step to leverage and grow our full product range of fasteners and other engineered products within the EUR aerospace market.

We are excited to complete this acquisition and welcome the GMT aerospace team to the TriMas family of businesses. Also, as announced, we have completed the sale of our arrow engine business. This action facilitates TriMas's exit of direct sales to the oil and gas and market, which has been a priority for some time.

The proceeds from the arrow engine sale of about $22 million will be used along with drawing on our credit line to pay for GMT aerospace, which had a purchase price of about $35 million. Importantly, these two corporate development actions provide a portfolio shift in sales and earnings, reducing the impact of the specialty products group on TriMas.

And finally, as we continue to take actions to increase the intrinsic value of all of TriMas's businesses and specifically in this example, our TriMas aerospace business, we are pleased to announce that we have gained meaningful wallet share of future fastener sales to Airbus under a new multiyear contract which will begin to ramp up in 2026. The aerospace team has been working on this project for the better part of a year, and we are excited to expand our trading relationship with Airbus, which we believe will provide an opportunity for growth above normal market demand levels for the coming years.

Turning to slide 5, I will now briefly highlight key financial data from Q4 compared to the prior year quarter. As noted previously, the fourth quarter was in many cases, a better comparison quarter to the same period in 2023, certainly as compared to prior quarters in 2024. With that said, consolidated sales were up 8.8%, driven by solid organic growth within our packaging and aerospace segments.

Segment EBITDA was up $1 million in the quarter at $42.2 million or 18.5% of sales. However, when accounting for enterprise-wide IT costs that were reallocated to our segments in 2024, segment EBITDA was up by nearly $3 million for the quarter, despite specialty products being lower in EBITDA by $3.3 million. As noted previously, we finished the year with a strong balance sheet despite cash use for cash use to return capital to shareholders through share buybacks and dividends, and with net leverage, slightly reduced from the prior quarter.

Net income was also up in the quarter, and EPS was higher compared to the prior year quarter by 13.2% at $0.43 per share. I would also like to highlight that while our fourth quarter is typically a reduced profit quarter compared to the third quarter, we are reporting today a comparable EPS level in Q4 as compared to Q3, which we believe is an important sequential performance indicator as we move into 2025.

Let's turn to slide 6, Before turning the call over to Scott, who will take us through specific segment performance and outlook, slide 6 highlights full year results. As discussed throughout the year, given the significant destocking we experience within our [Norris] cylinder business, the normalized EBITDA gains we have made within our tri mass packaging and aerospace segments were more than offset by the significant earnings decline within our specialty products segment in 2024 as compared to 2023.

With that said, we continue to believe that it's important to highlight the higher quality of earnings in our segment level EBITDA mix, driven by our largest business platforms, packaging and aerospace. I will now turn the call over to Scott.

Scott Mell - *TriMas Corp - Chief Financial Officer*

Thanks Thom. Let's turn to slide 7, and I will begin my review of our segment results starting with TriMas packaging. For the fourth quarter, net sales were $123 million as compared to $114 million for the prior year quarter, an increase of 8.4%. Organic sales increased almost 10% during the quarter, while the unfavorable impact of foreign currency translation reduced sales by $1.7 million.

This meaningful year over year sales improvement was led primarily by increased demand for our products serving the beauty and personal care and home care in markets, with both experiencing more than 25% year over year organic sales growth. We also continue to experience strong sales growth for our products serving the industrial market with close to 11% organic growth for the quarter and 16% organic sales growth for the full year.

Adjusted operating profit for the quarter was $15.7 million or 12.8% of sales. Which is 150 basis points lower than the previous year period. This year over year decline is primarily attributable to the allocation of $1.4 million of information technology costs which did not occur in Q4 of 2023. Higher depreciation expense and the impact of foreign currency exchange.

When adjusting for these specific items, operating margin would have been flat year over year at approximately 14.3%, which is reflective of the actions we've taken throughout 2024 to address capacity constraints related to higher demand for certain of our dispensing products. Adjusted EBITDA was $25 million or 20.3% of net sales.

Looking forward now for TriMas packaging. In 2025, we expect year over year sales growth to return closer to a GDP plus rate, which historically has been between 2% and 4%. This reversion from the strongest sales growth we experienced in 2024 is primarily driven by the completion of rebalancing of inventory levels by certain key customers during 2024 along with an expectation of more moderated levels of consumer spending growth in 2025.

We do expect TriMas packaging to deliver year over year margin enhancement on account of the moderately higher sales rates along with improved manufacturing efficiencies given the capital investments made in 2024 to adjust capacity pinch points which Thom mentioned earlier in the call. However, given our global footprint and multinational customer base, we like many other packaging manufacturers, do have exposure to increases in US tariff rates, particularly those from China, which reverted to a higher rate in the second half of 2024 and again to an even higher rate this year under the new administration.

While we have captured changes in tariffs that have already been implemented in our outlook for 2025, we are not forecasting any changes in rates with other countries. But there's no certainty at this point as to the timing or size of the tariff increases, if any. We are actively working on both near and long-term contingency planning to help mitigate any potential impact or earnings in 2025 and beyond.

Turning the slide 8, I will now provide an update on our TriMas aerospace segment. Net sales for the quarter increased by more than $14 million or 22% when compared to the same period a year ago, driven primarily by continuing growth in commercial aircraft production rates, strategic commercial actions, and improved production yields. In addition, we ended the year with a record-breaking backlog within TriMas Aerospace at more than $350 million.

Operating profit for the quarter was $10.9 million or 14% of net sales, which represents a 450 basis point improvement when compared to the previous year period. While we are very pleased with conversion rates during the quarter, we do believe there is incremental margin opportunity within TriMas Aerospace as we continue to invest in manufacturing capacity and factory floor enhancements and see further improvements in supply chain and labor force continuity.

Adjusted EBITDA for the quarter was $15.4 million or 19.7% of net sales. For 2025, we expect TriMas Aerospace to continue to experience strong sales growth with low double digit organic sales growth, which will be further augmented by sales from our recent aerospace acquisition, GMT Aerospace. And as I mentioned earlier in my comments, we also expect year over year margin enhancement within TriMas Aerospace as we continue to improve our production yield and benefit from previously completed commercial actions.

Now on slide 9, let's review our specialty product segment. Net sales were $26.6 million as compared to $32 million for the prior year quarter as the industrial cylinders market continues to work down overstocked inventory positions and to a lesser extent, lower sales of compressors serving the oil and gas industry. Please note that our results for the quarter do include our recently divested arrow engine business which contributed approximately $3.6 million of sales for the quarter and $19 million for the full year.

Operating profit in the quarter was $0.8 million or 2.9% of net sales, while adjusted EBITDA for the quarter was $1.7 million or 6.5% of net sales. The primary drivers of lower year over year margin performance were lower fixed cost absorption and $0.5 million of allocated IT costs which did not occur in 2023. I will also note that our nose cylinders business did complete meaningful structural cost reductions during the second half of 2024, which will provide for improved conversion rates once we see even marginal improvements in demand.

Looking forward now for Norris cylinder only. We anticipate flat to slightly increasing sales within the Norris cylinder business during the first half of 2025 as customers continue to work through inventories followed by demand improvements as the year progresses, which we believe will translate to mid-single digit sales growth for the full year. And as I mentioned earlier in the call, we are starting to see some positive indicators here in early 2025, including quoting activity and customer inquiries which lead us to believe that we are now emerging from the cyclical demand trough which Norris has been navigating for the better part of 15 months.

Finally, we do expect to see some margin enhancement for Norris in 2025, given the previously completed cost reduction actions. Bringing production rates into better balance with demand, and then with the operating leverage gains from expected incremental volume to the second half of the year.

Turning now to slide 10, I will provide a bit of color on our full year sales and EPS outlook. We expect total consolidated sales growth of 4% to 6% for the full year, which includes the impact of our recently completed acquisition within TriMas Aerospace. Please note that our sales comparison includes a full year of arrow engine in 2024 and only one month of arrow engine in 2025.

Our adjusted earnings per share outlook is $1.70 to $1.85 which at the midpoint would represent an increase of about 7% as compared to the prior year. Consistent with our adjusted EPS outlook, we also anticipate adjusted EBITDA to be approximately 7% year over year or in the $150 million to $165 million dollar range as the second half recovery within your cylinder and the impact of the GMT aerospace acquisition are anticipated to more than offset the earnings impact from the divestiture of arrow engines.

At this point, I'd like to turn the call back over to Thom to provide some closing remarks. Thom.

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

Thank you, Scott. Before moving to Q&A, I will conclude our prepared remarks by refreshing the nearest term value creating opportunities set for TriMas. First, we remain excited about the outlook for our two largest business platforms, TriMas Packaging and TriMas Aerospace, which are both participating in recovering markets after challenges in previous years. We are off to a good start in 2025 and anticipate that the high-quality business lines will carry throughout the year and well beyond.

Next, we continue to take proactive steps to assess opportunities to focus our portfolio businesses and unlock value. Our actions with the divestiture of arrow engine and the acquisition of GMT aerospace are just a few examples of driving a portfolio shift. We also continue to place a priority on building out our TriMas packaging platform through M&A with a focus on the beauty and personal care, food and beverage, and life sciences and markets.

And finally, while the no cylinder business experienced significant challenges in 2024, we have already completed many actions that we expect will benefit us as demand recovers throughout 2025. As Scott noted, even a modest demand recovery should result in much improved conversion rates given the cost restructuring we completed in the second half of 2024 for this business. I would like to again thank our investors for their continued interest and support and will now turn the call back to Sherry.

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

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Ken Newman, Key Bank Capital Markets.

Ken Newman - *KeyBanc Capital Markets Inc - Analyst*

Hey, good morning guys.

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

Good morning, Ken.

Ken Newman - *KeyBanc Capital Markets Inc - Analyst*

Maybe for my first question, can we just go into the margin enhancement comments across the various businesses? I am just trying to see if there's a way that we can think about or quantify, the implied incremental margins, in each of those businesses in the '25. And Scott, I'm sorry if I missed it. I know you gave a little bit of help on the revenue numbers, apples to apples for the North only business, but could you help us understand what those were for on margins in '24 and just how to think about that, apples to apples in '26, '25 I should say.

Scott Mell - *TriMas Corp - Chief Financial Officer*

Yeah, so we go through the packaging starting with packaging, look, given the incremental sales volume that we're seeing, there's going to be margin uplift, it's going to be 100 basis points, 150 basis points, obviously there's some macroeconomic activity out there that will impact packaging related to terror, so, as I mentioned on the call we believe we've captured what we know today, but obviously, the tariff expectations are changing by the day and so obviously we're very active in assessing the impact of the outlook.

If you look at aerospace, again I think the margin enhancement there is going to be a bit better than what we see in packaging just given that backlog and some of the strategic pricing actions we've taken over the last 18 months, I think that one's going to be 150 basis points to 200 basis points is what I'm expecting.

For that business and then Norris cylinder, again if you look at it on a standalone basis '24 versus '25 again most of this is going to be second half of 2025 is our expectation as we look at the order patterns but again we've taken some meaningful structural cost reductions there. And so, the expectation is, another 100 basis points, 150 basis points, if the sales levels come in where we expect them to be.

Ken Newman - *KeyBanc Capital Markets Inc - Analyst*

Got it. That's very helpful. Maybe one more clarification on the margin side for packaging.

I know you had mentioned being able to execute and mitigate around and tariffs this year. Was there a margin price/cost impact on tariffs and how quickly can you move if there are further moves from here?

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

Yeah, that's a good question, and I think if we step back, one of the challenges that exists with the noise around tariffs is the complete uncertainty. So, when we see a tariff go in and we feel there's a permanent nature to it versus, very sort of a more temporal negotiating tactic. We have the ability to move relatively quickly commercially to seek some recovery. May not be 100% across all of our product lines, but we're, we've been pretty successful, over the past year with a fair amount of recovery.

That being said, The longer term impact from tariffs is where we manufacture our products and where I think TriMas packaging has a great position is our manufacturing locations that are situated around the world. And if we're just talking about the US, we have available manufacturing floor space in the US, and we are able to situate productive assets, relocate productive assets from one part of the world into another if we need to, but that typically can would take us 12 months to 18 months, perhaps even longer in some cases, and it's and it's pretty disruptive.

The point I want to make is the near-term mitigation effect would be on the commercial front. And then on a long term basis, we have the ability to navigate through a more permanent tariff change through where we manufacture our products.

Ken Newman - *KeyBanc Capital Markets Inc - Analyst*

Understood, that's helpful. Maybe if I could just, ask one more for my follow up here. Look, I, we've seen a lot of news here in the last quarter, around management and board transitions. Thom, I know, you're going to be stepping down here at the end of next quarter. Any update on how the replacement search is going and then in addition to that I know it sounds like the company's taking a bit more of a pointed approach towards the what the forward portfolio looks like.

When you think about each of those businesses and where we are in the cycle today, do you or the board have a preference of which of those segments makes the most sense in dealing with first?

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

Yeah, let me take your question sort of in reverse order, if I may first, the point I'd like to make is, as we presented last quarter and again this quarter, we have two business platforms that in my opinion are extremely valuable and the intrinsic value of those of those platforms are fantastic, certainly relative to our market cap, and the board is well aware of that and the board is looking at with advisers they have brought on what is the best assessment to unlock the highest value for all of our shareholders as we move forward.

So, I won't comment any more on that except to say that from a management perspective, we have the ability to affect the intrinsic value of our businesses, and we feel like they're in phenomenal positions, and I would even say. We talked a lot about Norris cylinder, unfortunately throughout the year because of what they went through, was not a function of nor cylinder specifically, that was the market. But when you consider the market position of Norris cylinder as the only type one steel manufacturer in the US and you overlay with that the issues surrounding imported goods and sort of protecting US manufacturers, Norris is only going to get better.

It may take a few more quarters because frankly a cylinder is not a consumable item. So, when a customer buys too many cylinders, it has to go through the cycle of getting used and that could take a little longer than even we anticipated in 2024. But long term, Norris is a great business. It's going to come back and it's situated very well for nice conversion rates as the market comes back.

So I just want to touch upon that relative to the discrete value intrinsic value of each of our businesses with respect to my transition, the board is working on that, we're all as the management team, we remain highly engaged in driving performance but have nothing to update you on at this point, but the board is continuing to work through its process.

Scott, do you have anything.

Scott Mell - *TriMas Corp - Chief Financial Officer*

I was just going to comment on the CEO search look, we've got Spencer Stewart. The board is working, rest assured as quickly as they can to find the right leader, in the meantime we remain in very good hands with Thom.

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

Thank you Scott.

Operator

Hamed Korsand, BWS Financial.

Hamed Korsand - *BWS Financial - Analyst*

Hi, so just mainly on the packaging side, could you just talk about what's going on? You talk about that the business was doing well, you had a lot of demand, but it also sounds like you had a lot of pull in demand in '24, so it doesn't sound like it was a great year. So, I am just trying to understand the execution. And what you're looking at in '25, because the sales just don't add up to what the business should have been doing and everything was looking good versus '23 or '22.

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

I am going to let Scott go through some bridging of packaging because I think it will help bring some clarity to it, but I do want to point out that there was not po in demand in 2024 at all. If anything, it's sort of a reverse effect I think there was underordering in 2023 and a snapback or what sometimes is referred to as a channel fill in 2024 that was in certain discrete product lines where we had capacity constraints and not to get too technical, but consumer, some consumer demand trends have changed over the past few years and what we're seeing a nice amount of growth in a very nice product line for us within packaging.

It's a dispensing line that is a bit higher displacement at four cc's versus three cc's, and we have been putting in capacity in 2024. We'll put a little bit more in in 2025, but the trajectory of that growth. It is not temporal, we see it as continuing well into the future and as time marches on, we'll improve conversion rates in that dispensing line. So, I am going to pause there and let Scott do some bridging because I think on a comparable basis when you cut through some of the numbers, packaging is it was a steadier performer, particularly in the fourth quarter, Scott.

Scott Mell - *TriMas Corp - Chief Financial Officer*

Yeah, look, starting with the sales growth 10.5% for the year, I think if you market test that it'll be top quartile. So obviously the demand is there from the customer base. I think where your question may be going is around why not better conversion. We touched a bit on the IT allocation which again if you carve that out that's about 100 basis points of EBITDA year over year and then to Thom's point, we had about another 150 basis points of margin erosion related to, the performance of our plant that was dealing with the very high snapback demand.

For many of our dispensing for cc and related type products and that 150 basis points is across expedited freight to meet customer demand, it's labor inefficiencies, and it's material cost, as well as we just cannot keep up with the demand in the early part of the year. I will say. But those headwinds, if we look at our Q4 performance have abated quite a bit and so the effort that the packaging team has put in, to addressing that over the year has started to provide dividends here, so let me pause there for a moment and see if that answered the question.

Hamed Korsand - *BWS Financial - Analyst*

And my other question was going to be as far as in packaging, given all these different changes you've done with, you were talking about the assembly line and refurbishing equipment, does that inherently just help your margins in '25, and why isn't it more if you're also taking cost actions?

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

Yeah, short answer is yes, and it does help margin also helps us to secure additional growth, and I think what on a total basis we've got some costs that have gone up we continue to see some costs go up with inflation and we're offsetting those costs where we can with manufacturing improvements and CI so I think net The operating leverage gains that Scott said, about 150 basis points year on year, I think is sort of a good estimate at this point. Yeah, look.

Scott Mell - *TriMas Corp - Chief Financial Officer*

150 basis points of marginal enhancement for a packaging business in 2025 is going to be again top quartile arguably if you look at others in the space. I mean, there's quite a number of headwinds out there and to deliver 100 basis points to 150 basis points of margin enhancement in light of those, will be a very strong year for our packaging business.

Hamed Korsand - *BWS Financial - Analyst*

Great, thank you.

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

Thank you.

Operator

With no further questions in the queue, I would like to turn the conference back over to Thom for closing remarks.

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

Okay, thank you again for joining us on our earnings call, and we look forward to updating you again next quarter. Thank you.

Operator

Thank you. This will conclude today's conference. You disconnect your lines at this time and thank you for your participation.
