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PRESENTATION

Operator

Good day, and welcome to the TriMas Second Quarter 2017 Earnings Conference Call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Sherry Lauderback. Please go ahead.

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

Thank you, and welcome to the TriMas Corporation's Second Quarter 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 our second quarter results as well as provide an update on our 2017 outlook. After our prepared remarks, we'll open the call up for your questions. In order to assist with review of our results, we have included a 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 a replay code of 8148183.

Before we get started, I will 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 and 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 excluded 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. As we look back on our second quarter, we are pleased with our performance as well as our progress in the first half of the year. The introduction of our new TriMas business model and accelerated realignment efforts we have started to provide -- have started to provide tangible results. This is mainly the case in our Aerospace and in Energy segments, where operating teams have worked diligently to take sweeping actions to lift the performance of these businesses.

In addition to the actions we took in these 2 segments, we continue to focus on taking important steps to help drive long-term growth opportunities within our Packaging and Engineered Component segments. We are also pleased with our continued cash flow conversion in the quarter and year-to-date.

Our operating model provides a platform for robust discussions on improving cash flow. For example, in addition to operating under clear key performance indicators, our operating leadership team received net debt positions daily. This approach and level of engagement allows us to discuss investments in our businesses, not just capital expenditures, but also drivers to net working capital such as inventory levels, all to drive improved results.

Although we are only midway through summer, we have already begun the strategic planning process for 2018. While we remain focused on achieving our 2017 plan, we also want to be sure to maintain the momentum of unleashing value at TriMas into next year. In fact, internally, we reference TriMas 2020 as our mantra for ensuring we have long range divisional strategies that are compelling and value-creating for TriMas and our investors. While we started this process in last planning cycle, we expect to build upon it in the upcoming period.

As we move forward, our operating team is keenly focused on achieving our 2017 plan. While we hope our end markets continue to cooperate, if changes occur, as I've noted on prior calls, we will proactively implement countermeasures to protect our plan. Therefore, we are reaffirming our guidance for 2017.

Turning to Slide 6. A summary of our second quarter performance is highlighted in this slide. We achieved $213 million of net sales, a 4.9% increase over the same period last year. And this was despite our decision to de-emphasize certain geographic regions and the impact of weaker foreign currencies versus the dollar. Normalizing for these effects, sales would have been up nearly 7% driven largely by production throughput improvements in our Aerospace segment, market stabilization and throughput improvements in our Energy segment and growth in Asia and Europe in our Packaging segment. Bob will discuss this more in a few slides.

Operating profit was $30.3 million or 14.2% of sales, up $4.6 million as compared to the prior year. Corresponding EBITDA for the quarter was just over 19% of sales and earnings per share was $0.40, up 17.6% compared to the same period a year ago.

As noted at the end of the first quarter, while we are pleased with our start to the year, we have much more work to do to achieve our 2017 plan and our longer-term performance targets.

Turning to Slide 7. As mentioned, we had another solid quarter of cash conversion which we used to reduce our net debt position. We reduced net debt by $58.8 million as compared to the same period last year and by $30 million as compared to the end of last year.

Through debt reduction and improved earnings performance, we reduced our leverage ratio to 2.3x, a half turn better than where we were 1 year ago.

Our cash and available liquidity is also solid at nearly $200 million, a significant improvement over the same period last year. At TriMas, we believe that our focus and attention on cash flow conversion, which is a key component of the TriMas business model, provides an additional pathway to drive value to our equity holders.

Turning to Slide 8. As a recap to our year-to-date performance, it is much of the same, given our solid performance in the most recent few quarters. Net sales were up 1.7% on a year-to-date basis, despite currency and de-emphasized geographic regions. Normalizing for these effects, sales would have been up approximately 4% year-to-date.

Operating profit was $54.2 million, up $6.7 million or 14.1%, and EPS were $0.17 per share, up $0.09 or 14.8%. Free cash flow, despite slightly higher capital expenditures in this period, was $41.5 million year-to-date, an increase of $13.2 million.

Now I'll turn the call over to Bob, who will take us through segment performance. Bob?

Robert J. Zalupski - *TriMas Corporation - CFO*

Thank you, Tom, and good morning. As Sherry noted earlier, all of my comments today will be on an excluding special items basis.

I will begin my comments with a review of our Packaging segment's performance on Slide 10.

Second quarter net sales were $89 million, an increase of approximately 1% compared to the prior year period, impacted by approximately $1.5 million of unfavorable currency exchange. We achieved higher sales levels overall in each of our principal end markets of health, beauty and home care, food and beverage and industrial, with particular strength in both Europe and Asia due to continued growth with several of our significant multinational customers. The stronger sales in Europe and Asia have helped to offset softer sales in certain segments of the U.S. market, primarily in health, beauty and home care. Given this uncertainty in the U.S. market, we have slightly tempered our sales outlook for the second half of the year in this segment.

Packaging continued to generate strong operating margins, reporting Q2 operating profit of $21.5 million and operating margin of more than 24%. Overall, Packaging is largely on track with its full year operating profit plan, despite expected sales softness in certain segments of the U.S. market due to tight cost management and better productivity. We continued to invest in new products and sales initiatives to drive sustainable, long-term growth in this business.

Turning to Slide 11, in our Aerospace segment. Second quarter net sales increased approximately $3.5 million or 8% to $48 million, driven primarily by increased production throughput as well as solid order demand. We continue to see more stable order patterns from our customers and are optimistic that more consistent demand levels will translate into further opportunity or increased manufacturing efficiencies and additional operating leverage as we progress through the year.

Operating profit of $7 million was an approximate $2 million improvement compared to the year-ago period. We reported an operating profit margin of more than 14% in the second quarter versus approximately 11% in the same period a year ago and first quarter 2017.

A 320 basis point increase year-over-year is primarily due to operational improvement actions within our complex fastener operations, which drove higher sales levels. However, the benefits of these improvements were partially offset by off-standard production costs related to our standard fastener product line.

We continue to focus on reducing past few orders and improving manufacturing throughput to capitalize on solid order intake while reducing off-standard cost. Although, we have achieved significant progress year-to-date, there is still more work to do, primarily in our machine components and standard Fastener operations.

Moving now to Slide 12. Sales in our Energy segment increased nearly 9% compared to the year-ago period to $43.5 million. Sales increased by more than $5 million in North America as our share capture of the spring turnaround activity was higher than we originally expected. We were able to capitalize on increased customer demand because of increased manufacturing efficiencies and improved delivery performance. This sales improvement more than offset lower sales related to de-emphasizing less profitable geographic regions of approximately $2 million. Our realignment actions and productivity initiatives have driven significant year-over-year performance improvement. We increased operating profit by $2.2 million and improved operating margin by 470 basis points to 9.2% versus Q2 2016.

During the quarter, Energy is the only segment with special items, which consisted primarily of costs related to exiting our production facility in Reynosa, Mexico.

While we are pleased with this performance improvement today, we remain focused on additional opportunities to enhance profitability of our Energy segment.

Turning to Slide 13, Engineered Components. Overall, second quarter sales increased $2.4 million or approximately 8% to $33.6 million when compared to the prior year period. Sales of oil field engines and compression products increased by approximately $1.7 million as we experienced improved demand levels compared with the prior year, consistent with increased oil and gas well completion activity in the US.

Sales of our industrial cylinders also increased slightly due to greater demand for large high-pressure gas cylinders in the quarter. Q2 operating profit increased $0.9 million to $4.7 million, resulting in an operating profit margin of 14%, an increase of 160 basis points compared to Q2 2016.

Continued tight cost management in flexing of each business's cost structure as well as incremental demand, positively affected profitability. Our focus remains on managing the cost structure of each of these businesses in response to end-market demand, and we expect any additional increase in sales volume to leverage well.

Turning to Slide 14. In summary, we experienced a solid quarter of sales growth at 4.9% compared to the second quarter 2016, achieving growth in all 4 segments. We increased segment operating profit $4.5 million to $37 million or 17.4% of sales, an improvement of 130 basis points. Our accelerated realignment actions and continuous improvement initiatives, most notably in the Energy and Aerospace segments, are driving increased operational and financial performance.

With the first 2 quarters behind us, we are pleased with our performance year-to-date, and remain committed to achieving our 2017 full year operating plan.

I will now turn the call back to Tom to discuss our full year outlook and to wrap up. Tom?

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

Thank you, Bob. Turning to Slide 16. As noted earlier, we are reaffirming our full year guidance. We set a financial plan that included significant self-help initiatives, was based on driving shareholder value, and we are very pleased to be delivering on that plan.

Turning to Slide 17. Our immediate focus remains in taking actions that continue to improve the performance of our Energy and Aerospace segments while ensuring we have strategic plans in place for long-term value creation for each of our businesses.

We will continue to operate under a model gear to generate exceptional cash flow and drive towards returns of other costs of capital. Our use of cash priorities are clear. Our highest priority is to invest in product and process innovation and capabilities within our businesses. Currently, we are investing a large majority of our 2017 capital expenditures into our Packaging segment as we support projects that improve our processes, allow us to service our customers globally and shore up our product pipeline for future to long-term growth.

Next, as we generate cash above reinvestment in our businesses, we will then seek to reduce net debt or deleverage TriMas with a guiding target of less than 2x. Ultimately, we will pursue bolt-on acquisitions to augment our highest value proposition businesses as well as assess available treasury options to provide value to our shareholders.

To wrap up, I remain excited about TriMas' future and believe there are many opportunities for sales and earnings expansion and cash flow conversion. I am pleased with our start to the year and look forward to continuing our momentum well into the future.

Thank you. And we will now turn it back over to the operator for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll take our first question from Bhupender Bohra from Jefferies.

Bhupender Singh Bohra - *Jefferies LLC, Research Division - Equity Analyst*

So my question was around, if you can talk about pricing within your portfolio. The sales have been about 5%, talking about organic sales growth within all the 4 segments. Can you give some color on the pricing side of the equation?

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

Okay. Bhupender, can you give us a little bit more color on your question? I'm not sure what you're asking.

Bhupender Singh Bohra - *Jefferies LLC, Research Division - Equity Analyst*

Well, I'm talking about the volumes have been pretty nice here. Especially, if you just take the example of Aerospace, you talked about 8% growth here. I think you mentioned about improvement in the production throughput and the customer demand. That 8%, was that all volume? Was there any pricing, especially on the Packaging side, which -- were I think pricing is much more prominent? That's what I was trying to get to.

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

I think -- look, there's puts and takes in pricings with each of our customer end markets across segments. And I would tell you that pricing wasn't what drove the increases year-over-year. It's higher demand and good throughput. So we're encouraged by the end-market demand we're seeing across the businesses. And there are a few soft spots, as we mentioned, relative to certain segments or certain portions of our U.S. market in packaging. But in the main, we're very encouraged.

Bhupender Singh Bohra - *Jefferies LLC, Research Division - Equity Analyst*

Okay. So just going back to the Aerospace question. 8% growth, you talked about. Could you parse out? Like how much of that growth was driven by just the customer demand versus the improvement in your production throughput here?

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

Yes, I don't think. I mean, look, I think, our guidance for the year is 4% to 6% overall. I think, the reason you see a higher growth rate in the second quarter is, again, a year ago, we had some production throughput issues. Those have been corrected with the operational actions that we've taken, and we were able to deliver on the demand that exists within that business. And in contrast to a year ago, where we struggled to do that. So we would expect the second half of the year to be less significant in the way of year-over-year growth, because we had started to work out of some of those production problems in the back half of last year. And again, we're sort of maintaining our guidance for the full year growth in that segment of 4% to 6%.

Bhupender Singh Bohra - *Jefferies LLC, Research Division - Equity Analyst*

Okay. And lastly, on inflation. I've seen actually and heard like from most of the companies talking about how steel prices out there -- kind of indications that they actually inch higher. I don't know if you have any thoughts around that raw material or the commodity input slightly seeing some inflationary pressure, like in the second half? What are your thoughts?

Robert J. Zalupski - *TriMas Corporation - CFO*

We're not seeing anything that in the second half that we can comment on. What we've seen in the first half has been a pretty comfortable result for us in terms of our material purchase cost.

Operator

We'll take our next question from Matt Koranda with Roth Capital.

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

In terms of Packaging, just wanted to cover. Margins looked slightly down year-over-year, despite kind of a touch of revenue growth, and I think, your FX-adjusted would've been a little better. Was it mix that sort of drove that lower? Could you just comment on the -- give us a little color there?

Robert J. Zalupski - *TriMas Corporation - CFO*

I think, the level that they're down is almost immaterial. I would say that, relative to our expectations for this year, they're performing quite consistent despite, as I mentioned earlier, some sales softness in -- with certain customers in North America. So in that sense, I think, we expect them to be able to deliver on their full year operating profit plan, given even slightly -- maybe less sales than anticipated, but still better than a year ago.

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

Got it. And maybe, just a little color there as well. I mean, the growth outlook, I think, shows -- implies maybe 1% to 2% growth in the back half of the year or actually roughly low single-digit there. So -- and you mentioned, I think, specifically North America was driving some of the softness in -- what was it? In home, beauty and health care. Could you just give us a little bit more color on what's going on in that particular market?

Robert J. Zalupski - *TriMas Corporation - CFO*

Yes, it's pretty broad based across the Americas. What has been a positive for us is we've seen other regions pick up in Asia and Europe that helped mitigate that. So I think, overall, in the particular customers and segments we're in within our product line -- our various product lines, there's just some general softness in the Americas.

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

Okay, got it. Maybe one more on Aerospace for me. I think, the revenue guide implies, essentially, sequentially flat revenues for the second half relative to Q2. But it looks like we're also expecting a pickup in operating margins in that segment. So is that still just a function of the throughput improvements that you're making and taking additional costs out of the production base? Or maybe -- a little bit of help on that front in terms of what's driving the guidance there?

Robert J. Zalupski - *TriMas Corporation - CFO*

That's exactly it. We have a number of self-help initiatives with respect to our Aerospace and our Energy segment that still need to come through. We're going to have that through the balance of the year, and our expectation is into next year.

Operator

We'll take our next question from Steve Barger with KeyBanc Capital Markets.

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

This is Ken Newman on for Steve. So I wanted to jump back to the U.S. packaging sales. You did mention that it was generally soft here in the U.S. And I guess, I just want to get some more color. This wasn't specifically a specific customer that dropped out? It's more broad-based. Is that fair?

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

We referenced back in first quarter where we had seen some softness with a couple of key customers in North America. And while we don't expect that to be a long term kind of an impact, we did anticipate that there would be some quarterly affects to us that, obviously, would spill over into the full year. So that's really the softness that I'm referring to. And I think, the good news was in that business that sales in Europe and Asia were stronger than we anticipated, which helped to offset some of that anticipated weakness.

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

Sure. I guess, as a follow on to that. Could you kind of give some color as to what's driving stronger sales internationally versus in the U.S.?

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

I think, on an international basis, we've talked in prior calls, Steve, about our projects with multinational customers and the ramp of those projects. The pace of the ramp is always difficult to predict. But I think, what we're starting to see is some traction with some of those programs that we anticipated and are coming to fruition.

Robert J. Zalupski - *TriMas Corporation - CFO*

Right. And as we've mentioned, we've made some investments in our global innovation centers, and we're seeing a nice amount, a very robust level of quoting activity globally. And our expectation is that over time that will pay off in the long run. So we're very pleased with the growth that we have seen overall in the Packaging segment, and we'll take it whatever region it will come in.

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

Got it. And then, one more question. You maintained your top line guidance at 2% to 4%. Year-to-date, I think you are running at 1.7% and -- I'm just trying to figure out, how do you see the other segments improving as you try to reach your guidance?

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

As I mentioned a bit earlier, we do think that Packaging will be down a little bit from where we originally guided, so more like 1% to 2% full year. Aerospace is pretty much where we expected them to be, and we continue forecasting -- continue to forecast them to be in that 4% to 6% range. I think, maybe, the change is the benefit of the growth in Energy in first half. We see that perhaps as a little less negative than we did a year -- than we did at the start of the year. So maybe, down 2% to flat for the year. And then, I think, the other piece of potential opportunity exists with Engineered Components. But at this juncture, we're sort of holding to the guidance we put out at the beginning of the year.

Operator

We'll go to Andy Casey with Wells Fargo.

Jorge Baptista Pica - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

This is Jorge Pica, on for Andy. Great quarter on the margin performance. I'm intrigued by what you said in terms of Packaging on improving processes, global expansion, product pipeline. Are you -- are we talking about maybe making CapEx investments to go into other whitespaces? Are we talking about improving the core? Can you kind of describe the strategy there?

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

Very good question. And it's a bit of all of the above. Certainly, we are investing with our core products and seeking to expand them through taking our current customers and bringing them products that perhaps we sell on other areas into other customers through current customers, a further penetration of our existing base. But then we're looking at new innovative products that we can bring to our customer base to address some of the needs they may have around the world. We're seeing, for example, in the area of e-commerce. We're seeing the need for different type of closure technologies to support how our customers deliver their liquids to their customers. And we're very active in this area. There's also the area of security. How do our -- how can we help our customers ensure that the products that they ship to their customers are indeed the products that they expect to be in that container. So we're doing a lot of work in this area. That's just naming a few. There's also areas in -- of sustainability and recyclability, where we're working on. So a lot of exciting technologies that we believe will pave the way for the future for our packaging segment. Those are areas that we're investing in terms of R&D, and then also, we'll plan to invest in terms of supporting the production.

Jorge Baptista Pica - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

I guess -- and then, just one follow-up with that. What are the geographies that you feel like these are -- these investments are more strongly linked to? Or do you feel like they're crosscutting?

Robert J. Zalupski - *TriMas Corporation - CFO*

Well, it's -- in some cases, it is different geographies depending on the particular need in technology. I think we talked a few calls ago about some of the developing countries and the push that some of our larger customers are doing to promote hygiene in those areas. So the promotion is there that needs -- the population will start to more and more buy these types of products. So we might have some inordinate amount of growth to support those customers in those regions. That might be perhaps other than the western part of the world. But it is different for different technologies. And that's why our global breadth of the Packaging segment is such an important value driver to TriMas, because we can support our customers anywhere in the world.

Operator

The next question comes from Steve Tusa, JP Morgan.

Rajat Gupta - *JP Morgan Chase & Co, Research Division - Research Analyst*

This is Rajat, on for Steve. Just a question on your Energy margins. I mean, 2Q obviously pretty solid. But the guidance calls for a little bit of slowing in the second half. Just trying to see if this is just conservatism or were there anythings like mix or anything like that, that benefited 2Q? Or this is just kind of the new normal seasonality we should expect going forward for that business? And also, are all the benefits from your improvement plan at a run rate now for the Energy business? Or there's still more improvement opportunity there?

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

Well, let me take those questions in reverse order. We expect that we have, as I mentioned, a number of self-help initiatives underway. And our expectation is that over time and into '18, that we're going to continue to improve in the Energy segment. That's something that we're working on quite frequently. Regarding your question on top line. Look, the Energy business for us is pretty short cycle. We were pretty pleased with our year-to-date performance. And we think when we look to turnaround activity, we didn't really see the activity, predominantly in the U.S. we're talking about, on a macro basis, tick up. That being said, we felt we got a reasonable share, perhaps even more than we had hoped for, a share of that turnaround activity, which is good. Looking forward, tough for us to make to -- a fantastic prediction on that front. So we put forward with, essentially, what's in our plan, and if we do better, that's great, that's upside. But we don't really have the visibility to those orders yet and that activity yet, because of the short cycle nature of that business.

Rajat Gupta - *JP Morgan Chase & Co, Research Division - Research Analyst*

Right. But in the margins there, I mean, it looks like you're calling for like 7% to 8% in the second half versus the 9% in 2Q. Is that just normal seasonality? Or the revenue is coming and there is some upside there?

Robert J. Zalupski - *TriMas Corporation - CFO*

No. We think the margins can tick up a little bit. Again, as we take sort of the experience we had in the spring turnaround season and meeting that influx of orders, and how can we more efficiently and more profitably convert those kinds -- same kinds of orders in the second half of the year. So we do think there's a little bit of upside there margin-wise.

Rajat Gupta - *JP Morgan Chase & Co, Research Division - Research Analyst*

Got it. Just one more. Just on the restructuring. When you exclude it out of your free cash and EPS, guidance as of now. But it's -- ultimately, it's a bit of a drag on your actual free cash flow. So just wondering like how much more restructuring do you think you have in the tank for second half and beyond? And just curious if this is more of an ongoing level? And would you consider including this into your earnings and free cash guide going forward?

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

Let me take that, and Bob can correct me if I make a mistake. But I think, most of Q2 was noncash. Correct, Bob, in terms of the charges? Okay.

Robert J. Zalupski - *TriMas Corporation - CFO*

(inaudible)

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

Look, my intent going forward -- our intent going forward is to eliminate those charges. Certainly, if there is any type of step that we have to take, we'll bring that forward and that might be a case where we bring -- we're making excellent progress on a year-over-year basis in terms of eliminating where restructuring charges are and where they hit. I think there's a number of our businesses that had to overcome a high hurdle to turn themselves around. And in fact, I think that's an area where our operating teams actually when we get a lot of credit. Because they didn't start at one level, they actually started with -- a little bit behind the starting line. So when you look at a year-over-year basis, even on a GAAP level, even more fantastic than where it is on a nonrecurring basis.

Rajat Gupta - *JP Morgan Chase & Co, Research Division - Research Analyst*

Understood. Just lastly, on Aerospace. I mean, could you -- you're still on your path towards the improvement plan here. But what is your sense of normalized margins for this segment once you're done with all the low-hanging fruit you have? I think you've said at an investor conference recently that it's probably not going to go back to prior peak, but it is high teens or like 20% kind of, like the level this can go to by '18 or '19? Or -- I mean, just trying to understand. Just by eliminating the low hanging fruit, where do you think the margin should be for this segment currently?

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

Look, it wouldn't be a robust earnings conversation if we didn't get this question. So I'm glad that it came out. But I think what we need to do is give us time. When we go and present our forecast for 2018, I think you're going to start to see something that is tighter around a normalized run rate. And the one thing that I think we have mentioned before on calls and in conferences is that we do have the characteristic within this business now, that is machine components, that does tend to drag down margin vis-à-vis some of our highly-engineered fastener businesses. And that's because of the material content is so high. So on a machine component, you have a very high purchase cost. You might take some metal off of the prior through the machining operations, and then you ship it to the customer. And that -- by virtue of that sort of characteristic of generating a sale, it tends to come with a lower margin. So it is going to up to us. As we put forward 2018, is that -- if we disaggregate a bit for our investors to help them see some of the beautiful aspects of our Fastener business that reside within our Aerospace segment.

Operator

Our next question comes from Walter Liptak from Seaport Global.

Walter Scott Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

What if -- let me ask just to follow on to the 2018 comments. How much benefit do you think you're getting in this quarter from the self-help programs, from cost-cutting versus the easy comp with last year? And it's probably a difficult one to answer, so maybe just a rough percentage basis.

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

It's a big -- it's a large part. Is our -- turnaround activity if we took it. Look, I -- when you look at the drivers to the year-over-year performance, you'll see they are largely in the areas where much of the self-help activity has been. And when I came aboard to the company, which -- tomorrow will be my 1-year anniversary, we said as a team that we're going to follow -- dig in, follow -- go to where the problems were and tackle those problems. And that was a good investment of our time, because we're seeing it come through in terms of our overall performance. That's good. Now going forward, those opportunities tend to tighten up when you fix things. They don't get better run rate. We still have some work to do. But now we're looking to 2018, and how do we get lift off from here. So that's where we're going to focus the balance of this year and into '18.

Walter Scott Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

Okay. That sounds great. Actually the preface -- I should preface it by saying congratulations on the first year and good work on the profit margin.

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

Thank you very much.

Walter Scott Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

(inaudible) and hopefully trying to understand how much cost-cutting of the self-help will impact the second half as well? Or do we still have a run rate of self-help profit improvement for the back half of the year?

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

Look, we put forward a plan that was built on turning around some of our businesses, and that's in our guidance, it's in our forecast, it's in our plan. So is there upside to it? Look, I like to think there's always upside. And we have some macroeconomic aspects to many of the segments that we're in, that we'd like to see play out. We talked about defense and aerospace, MRO spending there. We talked about infrastructure spending in the U.S. At the government level, we could start to see some additional funds free up there. But that has some leverage implications, we believe, for, particularly our north business in our Engineered Components. So a number of opportunities that could exist on a macro scale as we get TriMas positioned well on a self-help basis. If those things start to take off, then that's really for me a second or third derivative for the company.

Walter Scott Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

Have you chosen sort of the 2018 process that you're going to use? Are you guys like using a business system, a lean or something like that? And as that 2018 plan develops, I wonder where you think you can get margins for the company overall?

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

Well, I think, we had started last year adopting sort of a hybrid of the TriMas approach to business planning, and what I've used in the past before coming to the company. And this year we hope to hone it further, which is a process that is deeply based on having solid compelling plans, well thought out, fact-based, data-driven, looks at customer performance. Many of the aspects that you would expect to see in some branded models out there but we just don't have it branded.

Walter Scott Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

Okay, all right. Fair enough. Maybe just to get into one of the segments, the Engineered Components segment. You called out the -- Arrow pump jet engine business. I wonder, what was the peak revenue for Aero? And what are we troughing at now? And just trying to getting an idea of the pent-up demand or kind of the market opportunity as oil and gas markets are recovering.

Robert J. Zalupski - *TriMas Corporation - CFO*

I mean, peak demand in that business was kind of approaching $100 million, and we're considerably less than that at this juncture. While we've seen improved quoting activity for those products, Walt, we're still not seeing what I'd call high-demand orders. I mean, certainly, the volume is up year-over-year, but certainly, nothing approaching what it was if we went back to '13 or '14.

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

But I would also add that, that product area for us is under 5% of our sales -- actually under 3% of our sales. So look, it's incumbent upon us to make sure that whatever size plant or plants we have within TriMas are running well, we'll do that. But we're not banking on that to drive our future. If that happens, it's all upside.

Walter Scott Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

Okay, great. And maybe, just a quick last one. You called out capital allocation and potential share repurchase. I wonder if you were to do a share repurchase, what kind of capital are you going to put forth?

Robert J. Zalupski - *TriMas Corporation - CFO*

Already we have a program that's authorized to spend up to $50 million, Walt. We have not executed on any share repurchases to date.

Operator

(Operator Instructions) We'll take our next question from Sam Eisner with Goldman Sachs.

Samuel Heiden Eisner - *Goldman Sachs Group Inc., Research Division - VP*

So following on with some of those prior comments or questions. A year into the job now, I think, 364 days from when it was announced. If you snap the line, are you ahead of schedule, behind schedule? When you look across the portfolio, is everything core? Kind of giving the opportunity to talk a little bit about the medium-term here, just given I think you've been in the business for a while. And so it'd be nice to get something, a little more meat on the bone, about thinking about the medium-term expectations for this business?

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

Sure. Look, I appreciate the question. I am pretty pleased with where we are at this point. It takes a lot of hard work, and I can't emphasize that enough. The amount of activity that the TriMas and our business operating leadership teams are doing around the world, it's pretty fantastic, and they should be commended. And we do that often to let them know. But there's still a lot to do. And that's -- what's fun about this process -- what's exciting about this process is, as you clear that first way, sort of, clear through the brush, get stabilized, you start to see additional opportunities. And then you could drive them further. So I think, we're sitting here, 1-year later, we're happy that some of the issues that were plaguing the company 1-year ago, are under control. But we're looking at our business and saying, "Wow. We have a great business here. We have some great bands, we've got some great leaders and a leadership team and people that are running our plants. Where can we take it from here? How can be improved more?" And -- so I'm pretty pleased. Ahead of where I expected to be. Behind -- I don't know. When I came in, I just knew there was an issue, and I wanted to roll up my sleeves and get it done. I'm happy with where we are right now, but I'm not -- I think, this is just a start.

Samuel Heiden Eisner - *Goldman Sachs Group Inc., Research Division - VP*

Care to tackle the question about whether or not anything is -- everything is core?

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

Look, I've addressed this before. It's incumbent upon us to set some guidelines as to what performance levels we expect for each of our businesses. We've talked a bit about that in the past. As we go through our 2018 planning process, if I -- if we can't see a pathway to get to that, then to get to those performance levels, then certainly that's going to be one indicator, not the only indicator, one indicator on some of the decisions we have to take. But as you could see, almost across the board we're seeing some good movements in all of our businesses. In total company, we're generating a fair amount of cash. I like the fact that we can stand here in front of our investors today at the TriMas level and talk about the cash we provided to our -- cash conversion we've provided to -- essentially to our shareholders through our performance. You know, that's a great start. And that's what we need to do. I think below that, what we invest and what we continue to invest in, that's going to be a little bit of a longer-term process and it's going to dovetail into our strategic planning process towards the end of this year and into next year.

Samuel Heiden Eisner - *Goldman Sachs Group Inc., Research Division - VP*

That's helpful. So -- maybe jumping into Aerospace. I think, if you look across the Aerospace supply chain, certainly, Boeing is squeezing a lot of their suppliers. You've seen that in Triumph going on right now. Obviously, Boeing is making pretty good money despite potentially been towards the peak of their cycle. When you look at the impact on your business, the weak performance that you've seen in the business over the last 2 plus years, 3 years, do you think that some of that partnered for success and the kind of the pressure on the supply chain has kind of already been felt by you guys, whereas, maybe some other supplies are now starting to see it? Just curious on the timing mechanism there, and do you think that we're kind of through the worse of it?

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

It's a bit of a challenging question for us to answer, and let me try to come at it this way. That was widely publicized, and certainly, businesses felt the impact of it, and certainly our business felt the impact of changes -- systemic changes, not only at the OEM level, but also at the distributor level. But what hit our business particularly hard was some self-inflicted wounds and how we adapted to some of those changes. That is what we're working through. And what I believe is starting to occur is by virtue of our performance. And clearly, our customers at the point of shipment and point-of-sale are recognizing that performance. That, that will start to lead, and perhaps is starting to lead, to some inordinate share pickup for us. Now there's some very long lead times in the types of products that we sell, and that's just typical. That is no different than what existed before. But what we're continuing to see, which I'm very pleased with, is an incoming new orders or order backlog that is robust. And we're talking to a number of customers about additional qualifications on some innovative products within our Aerospace segment. So now we're branching our line further, and we have the ability to supply not only highly-engineered fasteners, temporary fasteners, but also rivets and some standard fasteners. So we have a whole family of fasteners that we can supply and penetrate existing customers with. So those are -- it's important for us to try qualifications across our current customer base, and that's what we're seeing. So probably a long answer to say, yes, those factors are out there. But we believe, we're positioned well to overcome them because of the characteristics of our business.

Samuel Heiden Eisner - *Goldman Sachs Group Inc., Research Division - VP*

All right. Maybe, just last one. Just on that Arrow margin, I think, first half of the year, you guys were a little bit below the midpoint of your guidance. I think, you were a little bit south of 13%. In order to hit the midpoint of that guidance range, you need to be closer to 15%, basically above the high end of the guidance range. You feel comfortable with setting that up? I mean, it's definitely an uptick from what you reported in the second quarter. I just wanted to make sure of that whatever you guys see in terms of operating performance, you feel comfortable with the way that you kind of faced the year?

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

Yes. I think, at present, Sam, the trajectory of our performance in the first half is consistent with what we expected, and that we don't see that changing as we evaluate the second half versus our original plans. So we're comfortable with the performance in that business and that 13% to 15% full year guidance is certainly achievable.

Operator

We have no further questions in queue at this time. I'll like to turn the call back over to Tom for any closing or additional remarks.

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

Thank you. We would like to thank everyone for participating on the call this morning, and we look forward to updating you next quarter. Thanks, everyone.

Robert J. Zalupski - *TriMas Corporation - CFO*

Thank you.

Operator

This does conclude today's call. Thank you for your participation. You may now disconnect.