



## PRESS RELEASE

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FOR IMMEDIATE RELEASE

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# HÉROUX-DEVTEK ANNOUNCES AGREEMENT TO ACQUIRE CESA, A LEADING EUROPEAN MANUFACTURER OF LANDING GEAR, ACTUATION AND HYDRAULIC SYSTEMS

- Strategic and accretive acquisition will significantly enhance Héroux-Devtek's reach in Europe
- Purchase price of €140 million (approximately \$205 million)

**Madrid, Spain, October 2, 2017** - Héroux-Devtek Inc. (TSX: HRX) ("Héroux-Devtek" or the "Corporation"), a leading international manufacturer of aerospace products, is pleased to announce an agreement to acquire Compañía Española de Sistemas Aeronáuticos, S.A. ("CESA"), a subsidiary of Airbus SE (PA: AIR), (the "Transaction") for a purchase price of €140 million (approximately \$205 million) enterprise value, subject to customary closing adjustments. Unless otherwise indicated, all amounts are in Canadian dollars. Approximate Canadian dollar equivalents to Euros are based on the current exchange rate.

"The acquisition of CESA marks a pivotal moment in Héroux-Devtek's international expansion. This transaction will allow us to increase our presence with Airbus, hence giving us better access to one of the largest aircraft manufacturers in the world. With this transaction, we are significantly increasing our presence in Europe, expanding our product and service offering into complementary activities, adding a significant intellectual property rights portfolio, as well as gaining important content on several key aircraft programs and customers. CESA has a strong management team with talented and committed employees and we are looking forward to having them join us. We are very excited to continue building a sustainable future for the Corporation and creating value for our shareholders by proceeding with the largest acquisition in our history," said Gilles Labbé, President and Chief Executive Officer of Héroux-Devtek.

Headquartered in Madrid, Spain, CESA is a leading European provider of fluid mechanical and electromechanical systems for the aerospace industry. Its main product lines include landing gear, actuation and hydraulic systems. CESA provides an integrated product and service offering comprised of design and development engineering, certification, manufacturing, assembly and fleet support to a broad range of customers and aircraft programs. It has cultivated long-term relationships with customers across several key platforms. It operates a 366,000 square foot state-of-the-art industrial complex in Madrid, as well as another facility in Seville. CESA employs a skilled workforce of approximately 340 employees.

“This transaction is in line with our strategic objective of expanding into activities that complement our core landing gear market. In addition to providing us with incremental landing gear business, CESA’s world-class expertise in actuation and hydraulic systems will allow Héroux-Devtek to further enhance its reputation as a key supplier to leading global aerospace original aircraft manufacturers,” added Réal Bélanger, Executive Vice-President, Business Development and Special Projects of Héroux-Devtek.

### **STRATEGIC HIGHLIGHTS**

- Héroux-Devtek gains access to a direct, long-term business relationship with Airbus (which accounts for approximately 50% of CESA’s sales); enabling new business opportunities.
- Expansion into complementary actuation and hydraulic systems activities.
- Diversification of Héroux-Devtek’s customer base, both geographically and on key aircraft programs such as the A400M, EuroFighter-2000, S-92, A350 and C-295.
- Addition of an important portfolio of intellectual property rights and CESA’s sole-source supply business and strengthened exposure to aftermarket sales such as spare parts and maintenance, repair, and overhaul services.
- Expected synergies resulting from revenue opportunities through cross-selling opportunities in North America, an expanded European network, customer base and product portfolio and from operational efficiencies in procurement and technology development activities.

“For Airbus, the key criteria for the selection of the final candidate was based on their ability to provide a solid and strong industrial plan for CESA as well as an industrial strategic fit and an engagement towards the employees. This is both in the interest of CESA to continue its growth path as well as for Airbus, since CESA will remain a very important Tier-1 supplier for Airbus Defence and Space and the Airbus group in general. This acquisition fully fulfills these criteria and is a win-win for all parties involved offering CESA the possibility to move up to a next level,” said Fernando Alonso, Chief Executive Officer of Airbus Defence and Space, S.A.U.

### **FINANCIAL HIGHLIGHTS**

- CESA sales are expected to be approximately €94 million (approximately \$136 million) with an Adjusted EBITDA<sup>1</sup> of approximately €11 million (approximately \$16 million) for the calendar year ending December 31, 2017.
- Expected to deliver high single-digit accretion to Héroux-Devtek’s earnings per share within the first full fiscal year of operations.

### **TRANSACTION HIGHLIGHTS**

- Purchase price of €140 million (approximately \$205 million) enterprise value, subject to customary closing adjustments.
- Transaction to be financed through:
  - a \$50 million seven-year unsecured subordinated term loan provided by Fonds de solidarité FTQ;
  - the assumption of debt amounting to approximately €29 million (approximately \$42 million);
  - an increase of Héroux-Devtek’s existing revolving credit facility to \$250 million; and
  - available cash balance.
- Closing expected to occur near the end of the Corporation’s 2018 fiscal year, subject to certain approvals, including the authorization of the Spanish Council of Ministers and the prior acquisition by Airbus of the stake of its minority partner in CESA.
- Héroux-Devtek’s pro forma net debt is expected to be approximately 3.9 times its Adjusted EBITDA (2.6 times excluding government loans) at the expected closing date of the Transaction. Twelve months following the acquisition, the pro forma net debt is expected to decrease below 3.0 times Adjusted EBITDA (below 2.0 times excluding government loans).

### **ADVISORS**

National Bank Financial Inc. acted as exclusive financial advisor to Héroux-Devtek and Lavery, de Billy L.L.P. and Hogan Lovells International LLP acted as legal advisors to Héroux-Devtek. The committed bank debt financing for the Transaction is provided by National Bank of Canada as sole lead arranger and bookrunner.

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<sup>1</sup> This is a non-IFRS measure. Please refer to the “Non-IFRS Measures” section at the end of this press release.

## PROFILE

Héroux-Devtek Inc. (TSX: HRX) is an international company specializing in the design, development, manufacture and repair and overhaul of landing gear and actuation systems and components for the Aerospace market. The Corporation is the third largest landing gear company worldwide, supplying both the commercial and defence sectors of the Aerospace market with new landing gear systems and components, as well as aftermarket products and services. The Corporation also manufactures hydraulic systems, fluid filtration systems and electronic enclosures. Approximately 90% of the Corporation's sales are outside Canada, including about 65% in the United States. The Corporation's head office is located in Longueuil, Québec with facilities in the Greater Montreal area (Longueuil, Laval and St-Hubert); Kitchener, Cambridge and Toronto, Ontario; Springfield and Strongsville, Ohio; Wichita, Kansas; Everett, Washington; and Runcorn, Nottingham and Bolton, United Kingdom.

### **CONFERENCE CALL AND PRESENTATION**

**Monday, October 2, 2017 at 9:00 AM, Eastern time**

**Dial-in number:**

**647-788-4922 (Toronto and overseas participants)**

**1-877-223-4471 (all other North American calls)**

**A presentation is also available at [www.herouxdevtek.com](http://www.herouxdevtek.com)**

Please dial-in 15 minutes before the conference call begins. If you are unable to call-in at this time, you may access a recording of the meeting by calling 1-800-585-8367 and entering the passcode 94347934 on your phone. This recording will be available on Monday, October 2, 2017 as of 12:00 PM until 11:59 PM on Monday, October 9, 2017. Interested parties may also listen live at [www.herouxdevtek.com](http://www.herouxdevtek.com). A copy of the investor presentation will also be available on the Corporation's website at [www.herouxdevtek.com](http://www.herouxdevtek.com).

## FORWARD-LOOKING STATEMENTS

Except for historical information provided herein, this press release contains information and statements of a forward-looking nature. These statements are usually identifiable by the use of such terms as: "aim", "anticipate", "assumption", "forecast", "guidance", "believe", "continue", "expect", "foresee", "intend", "may", "plan", "predict", "should" or "will" and include, without limitation, statements relating to the completion of the Transaction and the realization of the anticipated benefits and synergies deriving from the Transaction as well as expected Adjusted EBITDA of CESA for the calendar year ending December 31, 2017, expected accretion to Héroux-Devtek's earnings per share and the expected pro forma net debt to Adjusted EBITDA at closing of the Transaction and twelve months following the acquisition.

These statements are based on assumptions as well as on management's best possible evaluation of future events and are subject to risks, uncertainties and other important factors that could cause the actual performance or events to differ materially from those expressed in or implied by such statements. Such risks, uncertainties and factors include, without limitation, fluctuations in quarterly results; evolution in customer demand for the Corporation's and CESA's products and services; the impact of price pressures exerted by competitors; general market trends or economic changes; the completion of the Transaction; the ability of the parties to receive, in a timely manner, the necessary regulatory and other approvals; the ability of the parties to satisfy, in a timely manner, the conditions to the closing of the Transaction; the ability of the Corporation to realize the anticipated benefits and synergies deriving from the Transaction; and other factors listed under the "Risk Management" section of the Corporation's MD&A for the fiscal year ended March 31, 2017 and the "Risk Factors" section of the Corporation's Annual Information Form for the fiscal year ended March 31, 2017 which are available electronically under the Corporation's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com). Readers are cautioned that the foregoing list is not exhaustive and undue reliance should not be placed on forward-looking statements.

Management has prepared the financial outlook contained herein using the best information available at this time and based it on assumptions and sources of information including, but not limited to, those listed in the "Guidance" section in the Corporation's MD&A for the fiscal year ended March 31, 2017, as they relate to the Corporation and CESA. Such financial outlook is provided for the purpose of assisting the reader in understanding the Corporation's and CESA's financial performance and prospects and to present management's assessment of future plans and operations, and the reader is cautioned that such statements may not be appropriate for other purposes.

Although management believes in the expectations conveyed by the forward-looking statements and which are based on information available to it on the date such statements were made, there can be no assurance that such expectations will prove to be correct and readers are advised that actual results may differ from expected results. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

#### **NON-IFRS MEASURES**

EBITDA and Adjusted EBITDA are financial measures not prescribed by International Financial Reporting Standards ("IFRS") and are not likely to be comparable to similar measures presented by other issuers. Management considers these to be useful information to assist investors in evaluating the Corporation's and CESA's profitability, liquidity and ability to generate funds to finance their operations and capital investment needs. EBITDA is defined as earnings before financial expenses, income tax expense and amortization expense, and Adjusted EBITDA is defined as EBITDA excluding non-recurring items.