



# Q2 2019

## INVESTOR FACT SHEET

SECOND QUARTER ENDED SEPTEMBER 30, 2018

TSX: HRX

### PERIOD HIGHLIGHTS

#### SECOND QUARTER RESULTS / FISCAL YEAR 2019

#### Quarters ended Sept. 30

#### Six months ended Sept. 30

(in millions of \$, except per share data)	2018	2017	2018	2017
Sales	95.7	89.7	181.4	176.5
Operating income	5.3	4.6	10.1	10.1
Adjusted operating income <sup>1</sup>	6.2	5.6	11.4	11.0
Adjusted EBITDA <sup>1</sup>	13.2	12.0	25.4	24.0
Net income	3.3	3.2	6.8	7.2
per share – diluted (\$)	0.09	0.09	0.19	0.20
Adjusted net income <sup>1</sup>	4.4	4.1	8.2	8.1
per share (\$) <sup>1</sup>	0.12	0.11	0.22	0.22

<sup>1</sup> This is a non-IFRS financial measure which does not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers. Refer to the Corporation's MD&A for further details.

- Consolidated sales increased 6.7% to \$95.7 million, compared with \$89.7 million last year, reflecting Beaver's contribution. This reflects higher sales in both defence and commercial aerospace markets and a net positive impact on second-quarter sales of \$1.7 million, resulting from year-over-year fluctuations in the value of the Canadian currency versus foreign currencies.
  - Commercial sales increased 11.5% to \$47.0 million, compared with \$42.2 million last year. This was mainly driven by increased deliveries to Boeing for the 777 and 777X programs, Beaver's sales as well as higher business jet sales, mostly related to increased deliveries for the Embraer 450/500 program.
  - Defence sales increased 2.4% to \$48.6 million, from \$47.5 million. This is essentially due to Beaver's sales and higher spares requirements from the U.S. Government. These factors were largely offset by the timing of manufacturing sales to certain civil customers and the ramp-down of repair and overhaul ("R&O") activities for the United States Air Force.
- Operating income increased to \$5.3 million, or 5.5% of sales, compared with \$4.6 million, or 5.2% of sales, last year, reflecting mainly Beaver's contribution.
- Adjusted EBITDA was \$13.2 million, or 13.8% of sales, compared with \$12.0 million, or 13.4% of sales, a year ago.
- Net income was \$3.3 million, or \$0.09 per diluted share, compared with \$3.2 million, or \$0.09 per diluted share, a year ago.
- Solid balance sheet as at September 30, 2018, with cash and cash equivalents of \$196.7 million. Total long-term debt was \$251.7 million, including the current portion, but excluding net deferred financing costs. As a result, the net debt position was \$55.0 million at the end of the second quarter, up from \$38.8 million as at March 31, 2018. The net debt to adjusted EBITDA ratio stood at 0.9x versus 0.7x six months earlier.

### A WORD FROM THE PRESIDENT

The second quarter represents a key milestone in the international expansion of Heroux-Devtek. Not only did our long-standing commercial partners Boeing and Lockheed Martin award us important long-term contracts, we also closed two transformational acquisitions. Beaver and CESA will broaden our existing product offering into complementary state-of-the-art actuation and hydraulic systems and provide significant cross-selling opportunities with the world's leading aircraft manufacturers.

These important developments are positioning us as leading suppliers in an industry with strong fundamentals and positive long-term growth outlook. After solid financial results in the second quarter, we are confident in our ability to deliver approximately 20% of revenue growth for fiscal 2019 and anticipate 60% revenue growth by 2022 as compared to our fiscal 2018 revenues. With strong financial flexibility, we have all the elements in place to enter our next expansion phase with renewed enthusiasm.

## RECENT EVENT

On October 1, 2018, Héroux-Devtek completed the acquisition of Compañía Española de Sistemas Aeronáuticos, S.A. ("CESA"), a subsidiary of Airbus SE (PA: AIR) for a purchase price of 137 million euros (approximately \$206 million) enterprise value, including CESA's net outstanding debt of 23 million euros (approximately \$35 million), subject to customary closing adjustments.

## GUIDANCE REITERATED

For fiscal 2019 management reiterates its annual guidance provided on October 1, 2018 with the closing of the CESA acquisition. For fiscal 2019 sales are expected to be in the range of \$460 to \$470 million with capital expenditures of approximately \$20 million. Long-term sales for fiscal 2022 are expected to be in the range of \$620 to \$650 million.

## FIVE-YEAR FINANCIAL SUMMARY

(in millions of Cdn \$, except per share data)	Trailing 12 months	Fiscal 2018	Fiscal 2017	Fiscal 2016	Fiscal 2015
Sales	391.5	386.6	406.5	406.8	364.9
Operating income	23.5	23.4	35.6	37.8	6.6
Adjusted EBITDA <sup>1</sup>	58.4	56.9	61.4	64.1	47.8
Net income	13.3	13.7	31.8	26.6	3.2
per share –diluted (\$)	0.37	0.38	0.88	0.74	0.09
Adjusted net income <sup>1</sup>	24.3	24.2	26.4	27.7	19.4
per share (\$) <sup>1</sup>	0.67	0.67	0.73	0.77	0.55

<sup>1</sup> This is a non-IFRS financial measure which does not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers. Refer to the Corporation's MD&A for further details.

## Q2 SALES BY MARKET

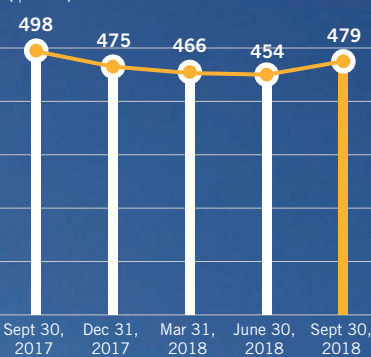
(\$ mln)



	(\$M)	% ch.
Commercial Aerospace	\$47.0	+ 11.5%
Defence Aerospace	\$48.6	+ 2.4%

## FUNDED BACKLOG

(\$ mln)



## STOCK PERFORMANCE



## ANALYST COVERAGE

Ben Cherniavsky ..... Raymond James  
 Cameron Doerksen ..... National Bank Financial  
 Tim James ..... TD Newcrest  
 Mona Nazir ..... Laurentian Bank Securities  
 Benoit Poirier ..... Desjardins Securities  
 Turan Quettawala ..... Scotia Capital  
 Derek Spronck ..... RBC Capital Markets

## INVESTOR RELATIONS

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## STOCK INFORMATION

Stock exchange & symbol ..... TSX: HRX

Price as of November 9, 2018 ..... \$12.34  
 High/Low ..... \$16.66 / \$12.10  
 (52 weeks ended November 9, 2018)

Number of shares outstanding ..... 36,333,666  
 (November 9, 2018)

Market capitalization ..... \$448.3 million



www.herouxdevtek.com

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 of Canada, including about 50% 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; Livonia, Michigan; Runcorn, Nottingham and Bolton, United Kingdom; and Madrid and Seville, Spain.