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CORPORATE PARTICIPANTS

Scott A. Mell *TriMas Corporation - CFO*

Sherry Lauderback

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

CONFERENCE CALL PARTICIPANTS

Katie Fleischer

PRESENTATION

Operator

Good day, and welcome to the TriMas Third Quarter 2022 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

Thank you, and welcome to TriMas Corporation's Third Quarter 2022 Earnings Call. Participating on the call today are Thomas Amato, Trimas' President and CEO; and Scott Mell, our Chief Financial Officer. We will provide our prepared remarks on our third quarter results and outlook, and then we will open up the call for your questions. In order to assist with the results in review, we have included today's press release and PowerPoint presentation on our company website at 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 390-6527.

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 Form 10-K and our third quarter 10-Q that will 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 you to the appendix in our press release or our presentation for the reconciliations between GAAP and non-GAAP financial measures used during this call. Today, the discussion in the call regarding our financial results will be on an adjusted basis, excluding the impact of special items.

With that, I will turn the call over to Tom Amato, TriMas' President and CEO. Tom?

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

Thank you, Sherry. Good morning, and welcome to our third quarter earnings call. On our prior earnings call, we spoke about some of the challenges we were facing in certain of our submarkets as well as our expectation that we would see improvements begin to take hold as we move through the third quarter and into the fourth quarter, particularly within TriMas Packaging. Since that period, increasing inflationary and energy costs quickly spread to weakening consumer confidence. This turned into an abrupt impact in demand in some of our key consumer goods and end markets as several of our top packaging customers decided to bring their inventories into better balance for an uncertain period. This had compounding effect as it began to emerge at the beginning of our normal holiday season pipeline fill period, which starts in late August and ramps up through November.

While we believe the demand impact we are experiencing within TriMas packaging in the second half of 2022 is largely related to our customers deferring demand due to overstock inventories, TriMas is well positioned to navigate through this or any uncertain period. Moreover, we have several submarkets that are showing signs of strengthening, which we believe will translate to longer-term growth.

Let's turn to Slide 3, where I'll take a few extra minutes to better describe some of the changes we are seeing in our geographic regions and primary markets. As a reminder, TriMas' primary markets served include consumer products, which represents nearly 49% of our year-to-date sales; aerospace and defense, representing 20% of our year-to-date sales; and general industrial representing 31% of our year-to-date sales. All of our sales into the consumer products market and a portion of our sales into the general industrial markets are captured within our Packaging segment, which represents approximately 60% of our overall revenues.

Within North America, we are experiencing the onset of a robust recovery within the aerospace and defense market, which is ahead of our expectations and continued strong order intake within certain of our general industrial markets. We are also experiencing as everyone on this call is well aware, the highest inflationary rates in 4 decades. This effect, along with continued new cycles mentioning a pending recession is indeed creating a cautious planning environment, which we are most acutely seeing within products sold into personal care applications. For example, several of our largest consumer goods customers are faced with higher dispenser stocks than normal and have therefore decided to take a much more conservative approach to increasing stock in anticipation of their seasonal selling period. Scott will go into further details on some of the specific product lines that are off our planned sales rates. However, it is important to note that each of the products where we are experiencing softer sales are consumable, and we do expect demand to recover as we move into and through 2023.

To unpack this a bit further, our TriMas Specialty Products Group had strong sales for the quarter, up 14.5% and with the current order backlog that remains strong. Operating profit conversion was slightly lower than last year, primarily due to higher cost for steel and less favorable product mix, but overall at solid performance levels. Our TriMas Aerospace Group sales were slightly down by 2.3% from the prior year quarter. However, when normalized for the 2021 special stocking orders, organic sales were actually up 8.5%.

It is also important to note that we are experiencing a robust order intake rate within TriMas Aerospace, which has driven our backlog higher as compared to the prior year quarter. While this is great long-term news, the high demand rate creates some temporary near-term production challenges. For example, we continue to navigate supply chain and labor constraints, which we expect will continue through the fourth quarter. Therefore, our conversion was negatively impacted. With that said, the TriMas team successfully unleashed an earnings and cash generating real estate divestiture project, which helped offset some of the period efficiency issues.

Within our TriMas Packaging Group, sales of certain dispenser products for hand soap, sanitizer and lotion dispensing applications were significantly lower as compared to the prior year quarter for the reasons I previously noted. In total, our net sales for growth for North America is up 5% overall. However, when adjusted for currency and acquisitions, we are off the prior year quarter by 2%. So to sum up, the results we are experiencing with the North America overall are mixed.

Within Europe, not surprisingly, the effects on consumers from the geopolitical fallout is even more profound. Our sales within Europe are off the prior year quarter adjusted for currency by 5%, all of which is within our TriMas Packaging Group and the vast majority of which is within our dispenser related product lines. Additionally, within Europe, one of the main issues is related to energy and fuel. For the quarter, higher utility expenses within Europe cost TriMas just over $0.03 per share and which has impacted us by nearly $0.09 per share on a year-to-date basis, and we anticipate that will grow to about $0.11 for the full year.

We are actively taking a number of steps to identify ways to reduce energy consumption, such as accelerating our shift to more efficient manufacturing equipment. Additionally, we are seeing certain governments begin offering subsidies to assist their manufacturing base through this uncertain time. I remain hopeful that a careful resolution to the conflict between Russia and Ukraine will occur in the nearer term, benefiting the people in this part of the world as well as the European and global economies generally.

Within Asia, and more specifically, China, the Zero Covid policy will continue to suppress regional economic growth. While our sales in the region are only approximately 5% of our total, this important region of the world for TriMas is up nearly 1/3 as compared to the prior year quarter, all of which is within our TriMas Packaging Group.

As a result of these very dynamic global market conditions, we are reporting earnings per share of $0.40. The main unfavorable drivers of which are predominantly volumetric sales and mix, related under-absorbed structural costs and energy costs. While we are not pleased with this result, our global team continues to work diligently to navigate each of our businesses through this uncertain period while still executing our long-term strategy.

Let's turn to Slide 4, where I'll further summarize our financial results for the quarter. Sales were $218.5 million, down 1.7% from the prior year quarter, driven by a decrease in organic sales of 4.8% and unfavorable foreign currency exchange of 2.7%, offset by acquisition sales, which contributed 5.8%. Adjusted operating profit for the quarter was $21.6 million or just under 10% of sales for the quarter, a margin which was lower than the prior year quarter, mainly due to the lower demand and related under absorption of both fixed and SG&A costs in the period, mix and energy costs.

Additionally, we experienced certain production inefficiencies predominantly within our TriMas Aerospace group, largely offset by a property divestiture also within TriMas Aerospace, as I noted earlier. Adjusted EBITDA was $37.6 million or 17.2% of sales. Certainly below our longer-term target, however, I expect to return to a higher rate as we make operating leverage gains in the future with increasing order intake and shipments.

At this point, I'll turn the call over to Scott, who will take us through our balance sheet and segment results. Scott?

Scott A. Mell - *TriMas Corporation - CFO*

Thanks, Tom. Let's turn to Slide 5. TriMas continues to maintain a strong balance sheet and liquidity profile, which we believe positions us well to successfully navigate any short-term or even long-term market disruption while continuing to invest in our business for long-term growth.

As of September 30, we maintained $378 million of unrestricted cash and availability under our credit facilities and had net leverage of 1.9x, even after investing $131 million of cash year-to-date for acquisitions, capital expenditures, dividends and share repurchases. During the quarter, we generated $15.4 million of free cash flow below prior year, primarily due to continued investment in search and critical inventories as we continue to ensure continuity of supply for our customers and manage through a volatile global supply chain. In addition, while not considered as free cash flow as we and most others define it, we did generate an additional $26 million of pre-tax cash proceeds during the quarter from the exit of our existing cross-currency swaps. Given the historical strength of the U.S. dollar versus the euro in the current macroeconomic environment, we made the strategic decision to monetize these instruments to further bolster our liquidity position. The exit of these swaps did not impact our net income or EPS.

Finally, we are actively taking additional steps to further bolster our balance sheet. As Tom mentioned previously, the TriMas Aerospace team completed an earnings and cash generating real estate divestiture project during the quarter, and we have recently completed an additional property divestiture which through the use of Kaizen and rebalancing of our manufacturing footprint resulted in the monetization of another real estate asset. Together, these transactions should yield approximately $20 million of after-tax cash proceeds and earnings. We will continue to assess additional opportunities to strengthen our balance sheet as they become available.

Now let's turn to Slide 6, and I will begin my review of our segment results, starting with TriMas Packaging. Net sales of $129.7 million decreased $8.3 million or 6% as compared to the year ago period. Acquisitions contributed $11.5 million of sales during the quarter, while the impact of unfavorable foreign currency translation reduced sales by $6.1 million or 4.4%. Organic sales decreased by 9.9% as demand for our products, primarily for dispensing products with applications in the Beauty & Personal and Home Care end markets was negatively impacted as a result of the factors highlighted in the opening of our call. As a result, sales for these 2 end markets, again, Beauty & Personal and Home Care were down more than 20% during the quarter when compared to the year ago period. However, based on our order intake and backlog, we do believe the earning patterns we are experiencing during the second half of 2022 are temporal and expect these customers to have stocks rebalanced sometime during the first half of 2023.

On a more positive note, during the third quarter of 2022 and consistent with the previous 2 quarters of the year, we continued to experience positive organic growth for products used in both Food & Beverage and Pharma & Nutra applications. Operating profit decreased by $9.2 million to $18.1 million as the impact of lower sales was further exacerbated by a less favorable sales mix increasing inflationary pressure on input costs, including approximately $2 million of additional energy costs in Europe, which continues to be meaningfully impacted by the ongoing hostilities in Ukraine as well as currency exchange rates. Operating margin was 13.9%, while adjusted EBITDA was $26.1 million or 20.1% of net sales.

As we start to look forward to 2023 and beyond, I'd like to highlight a few items. First, TriMas Packaging is currently in process of launching our first fully recyclable PET injection blow-molded jar for a strategic global CPG customer. This is a new technology for TriMas Packaging in response to increasing market demands for lighter weights and greater flexibility. This new product offering, initially targeted for personal care applications, such as hair care, also aligns with TriMas Packaging sustainability and circular economy goals, which we believe are the future for the global packaging industry. Next, we remain committed to expanding our offering of our fully recyclable dispensing product line with additional sales expected to ramp up in late 2023 and early 2024 as we continue to see strong interest in these products from our global CPG customers. Finally, we are pleased to announce the launch of our advanced manufacturing facility in New Albany, Ohio, which is a cornerstone piece of our commitment to our customers to increase manufacturing capacity onshore in North America. This new highly automated plant is targeted to produce foaming and traditional dispensers for the Beauty and Personal Care end markets as well as some of TriMas Packaging's latest innovative products, all in support of customers in the local market.

Turning to Slide 7. I will now provide an update on our TriMas Aerospace segment. Net sales for the quarter decreased $2.8 million or 2.3% when compared to the same period a year ago. Acquisitions contributed $1.3 million of year-over-year sales. As we've mentioned previously, sales and operating profit for TriMas Aerospace throughout 2021 were positively impacted by $30 million of stocking orders for highly profitable specialized fasteners from one end customer. Adjusting for the impact of destocking orders in Q3 of 2021, Q3 2022 organic sales were up 8.5% year-over-year as we continued to see order intake and backlog for certain products trending above our initial internal plans for 2022. Operating profit for the quarter was $4.8 million or 10.5% of sales as compared to $4.6 million or 9.8% in the prior year.

This year-over-year improvement in operating profit is primarily attributable to a $4.8 million gain from a strategic divestiture of a property mentioned earlier, which offset the loss of margin related to the prior period special stocking orders as well as the impact of continuing supply chain and labor inefficiencies and rising inflationary pressures. Combined, these manufacturing inefficiencies and input price increases contributed approximately $2 million of incremental costs during the quarter. Adjusted EBITDA for the quarter was $9.6 million or 21.1% of sales.

As I mentioned earlier in this call, order intake remains robust within TriMas Aerospace, and we do expect to see organic sales growth accelerate as we exit 2022 as the production challenges experienced this year begin to ease on account of improved manufacturing efficiencies. Finally, I'd like to highlight that our TriMas Aerospace team will begin initial low rate production of components for the new Boeing T-7A Trainer Jet during the fourth quarter of 2022. As we announced previously, Boeing's T-7A Red Hawk is an all-new advanced pilot training system for the U.S. Air Force.

Now on Slide 8, let's review our Specialty Products segment. Net sales in the third quarter increased $5.5 million to $43.4 million, a 14.5% increase when compared to the same period a year ago. This is now 5 consecutive quarters of double-digit growth for our Specialty Products segment. Demand for steel cylinders and engines providing supplemental power each for the North American region remains robust with moderately high levels of backlog for both businesses.

Operating profit in the quarter was $6.8 million or 15.6% of sales as compared to $6.7 million in the previous year period. Operating margins were lower when compared to the prior year period as higher sales volumes were more than offset primarily by higher material costs. Adjusted EBITDA for the quarter was $7.7 million or 17.8% of sales. While both Norris Cylinders' and Arrow Engines' order books remain strong, which we believe is indicative of recent recoveries in certain end markets for which they sell into, we will continue to closely monitor order changes and input costs and take appropriate actions if necessary.

At this point, I'd like to turn the call back over to Tom to discuss our outlook and for some closing remarks. Tom?

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

Thank you, Scott. Let's turn to Slide 9. As we look to the balance of the year and given the now persistent impact from the situation in Eastern Europe, derivative energy costs and global inflationary and consumer sentiment effects, we are anticipating a softer fourth quarter. We expect TriMas Specialty Products will continue to convert well on robust demand and TriMas Aerospace will make meaningful strides against balancing increasing demand to get into a much better conversion position in the first quarter of 2023. With respect to TriMas Packaging, we are taking a cautious approach to balancing our support infrastructure against what we believe is a temporal demand effect within certain of our product lines. We will continue to assess regional actions as necessary when we gain more visibility into first quarter 2023 demand.

Additionally, we expect to benefit from an approximate $17 million after-tax gain due to a corporate-led property divestiture project in the fourth quarter, providing both cash and earnings benefit and which will help offset some of the temporary market disruptions we are continuing to navigate.

Given our results today and what we anticipate for the fourth quarter, we are now expecting to achieve an EPS range for the year in the $2.10 to $2.18 range, which is a center point up of about 7% from our prior estimate. We also are updating our free cash flow outlook to be greater than 80% of net income as a result of the inflationary and other margin pressures, further investment in key inventory items given supply chain constraints as well as maintaining our planned CapEx spending to allow for future growth. In addition to free cash flow, as we define it, it is important to note that we also expect to generate approximately $55 million in gross cash proceeds related to the 2 property divestitures and the settlement of the currency swaps. So in total, we expect to exit 2022 with a strong balance sheet.

Let's turn to Slide 10. While I do not know if we're already in or will enter into a recessionary period, I do know that we have worked carefully over the prior years to ensure our operating model can withstand this type of condition. While our sales and earnings are not currently trending to what we envision for 2022, our overall cash earnings rate, relatively low capital expenditure profile and strong balance sheet with low cash interest expense positions TriMas well to navigate through almost any uncertain period.

With that said, I will close out our prepared remarks by providing just a few examples of why we remain optimistic about the long-term prospects for TriMas. First, we are now starting to experience a demand recovery within the aerospace and defense market. We are working diligently to position TriMas Aerospace to take advantage of the long-term operating leverage gains and effect we delivered within our TriMas Specialty Products Group as commercial jet production continues to strengthen and

(technical difficulty)

defense applications remain strong. Within our TriMas Specialty Products Group, we expect demand to remain robust given our strong order backlog within our Norris Cylinder business and which we are now also experiencing within our Arrow Engine business, particularly given higher natural gas and crude pricing. Both of these businesses are currently poised well for continued growth.

While we are experiencing some lower period demand in certain specific product lines within TriMas Packaging, we continue to believe there are attractive long-term characteristics in this segment through our multiple end markets, and we have many innovative product solutions coming to market and underway. We also expect to continue to make progress on accelerating growth in our Packaging group through acquisitions. This is an area where we are now experiencing increased market activity with bolt-on size deals. While we continue to reinvest in our businesses for long-term growth, we also anticipate continuing to return capital to our shareholders through dividends and share buybacks. In addition, our leadership team remains committed to operating TriMas in a responsible way to positively contribute to society, particularly in the communities where we live and work. Again, we continue to believe TriMas is an exciting company to invest in.

And with that, I'll turn the call back to Sherry. Sherry?

Sherry Lauderback

Thanks, Tom. At this point, we would like to open the call up to your questions.

QUESTIONS AND ANSWERS

Operator

If you wish to ask a question at this time, please signal by pressing star 1 on your telephone keypad. Please ensure the meet function on your telephone is switched off to allow your signal to reach our equipment, again please press star 1 to ask a question.

Sherry Lauderback

I'll take our first question from Ken Newman of KeyBanc Capital Markets. Please go ahead.

Katie Fleischer

Hi everyone. This is Katie Fleischer on for Ken. He was unable to join today.

Unidentified Company Representative

Hi Katie.

Katie Fleischer

Hi. So I wanted to start off on the Packaging segment. How much visibility do you have on the customer inventories here? And do you have any idea of when you're expecting these conditions to stabilize if the demand continues at the current state?

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

Yeah. Great question. It really is something that we've had to campaign all of our top customers to get a better handle on. So it varies by customer and actually by region and product line. The key point to understand is the period of high volume supply for us occurs during the 4-month period we're in right now, and that's not occurring. That being said, we do expect that the inventory that's in the pipeline probably bleeds out through Q1, possibly a bit into Q2 of next year, and we're back at a stabilized level. That's the best we can tell. Probably on the conservative end, it bleeds into Q2 a bit. On the more optimistic end, it is towards the mid to late part of Q1. That's the best we can tell, and it does vary by customer.

Katie Fleischer

Okay. And then, just going off of that, if demand were to continue in this weak state that you're seeing now, what are some of the things that you would adjust to account for that?

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

Yeah, and another very good question, and that's an area where we're making assessments right now by geographic region and in some cases, by facility and by product line. So, we have not taken any flexing actions that we normally would and should if we felt that the period that we're in with the temporary demand falloff would be more prolonged. So we're not flexing any structural costs and to some extent, even on the variable side, this was such an abrupt change in demand that occurred to us that we've only taken minimal variable flexing actions...

Katie Fleischer

Okay. Got it. And then one more from me, and then I'll jump back in the queue. What was lower volumes versus price mix impact within that packaging segment? Do you have any visibility into that?

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

Mostly volume.

Katie Fleischer

Mostly volume. Okay.

Scott A. Mell - *TriMas Corporation - CFO*

We had some slight uptick with price. But to Tom's point, mostly volume degradation.

Katie Fleischer

Got you. Okay. I'll get back in the queue in case there's anyone else.

Operator

As a reminder, it is star 1 if you do wish to ask a question at this time.

Operator

We'll take a follow-up question from Ken Newman of KeyBanc Capital Markets.

Katie Fleischer

Okay thanks. So we've seen a bit of a pullback in both steel and resin prices lately. So I know we talked about this on the last call, but how should we think about the near-term impacts to margins across the 3 segments from a price-cost perspective?

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

So let me address generally steel. If we define steel as both steel and other metals, it's a little bit mixed. You're right. On the steel side, we're seeing current market trends that are a bit lower versus where we started the year and exited 2021. It's not really rolling through our numbers yet and I'm not sure how material it really will be, but it just has to do with the inventory that we have in our system and our forward buying contracts with our suppliers. That's on the steel front. On the metal front, so we use a number of other metals ranging from exotic to aluminum, stainless steel, et cetera, different trends there. Those prices tend to be between stable and increasing. And that impacts mostly our Aerospace business. On the resin side, you're right as well. There's been a very modest pullback almost, I would say, stable to flat, which is great news. We could use an additional pullback certainly as we go into next year, that would be helpful. But it's in our numbers today, and it's giving us a minor benefit.

Katie Fleischer

Okay, thanks. I think that pretty much covers everything I was interested in there.

In terms of the Aerospace segment, can you talk about the supply chain visibility? I know you've been having some difficulties there. And any sense of what the inventory looks like going forward?

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

So is your question related to supply inventories to us or our customer inventories?

Katie Fleischer

I guess if you could touch on both, that would probably be helpful.

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

Okay. So on the customer inventory side, depending on the product line, I would say that the inventory levels when we were in the pandemic that we knew were building are, in some cases, depleted now because the production rates have come back up, we're seeing our order book is up 30% from where it was the last prior year quarter. We're booking business out now almost into mid-2023. So there is really a surge in demand, which is, like I said, great news because from a long-term effect, that's really what we wanted to see. I expected to see that, by the way, in 2023, and we're seeing it in the second half.

The challenging side is the supply base, because it was so stressed during the pandemic and predominantly on the labor front, was not ready for the snapback. So we have our sub-suppliers in certain of our important input materials are tight. And I know other companies in the aerospace world are seeing the same thing as we sort of check around. So where we have tighter constraints, we're seeing what we can in-source or what we can source from other vendors that we might be able to quickly qualify. In some cases, as I mentioned, we have pulled in production of certain previously sub-sourced material because we wanted to stabilize our supply. So I would say on the sub-supplier market to us, it's constrained and there's not a lot of material that's in the market available for us.

Katie Fleischer

Okay thanks. And then I guess going off of that, any visibility into the margins for the Aero segment? In the out year, do you see opportunities to expand those a bit, maybe back to like 2021, 2020 levels?

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

Well, certainly, we hope to expand our margins above the 2020 and 2021 levels. The area that we have in the back of our mind is 2019. And it was our hope as we restructured that business through the pandemic to get back to that pre-COVID rate. That being said, what's changed since then are inflation that has set in and some other constraints. But we'll go into that, I think, on our next earnings call as we give guidance for the next year. But certainly, I do expect to get some operating leverage as we convert on our order book that is in our books now and free up capacity from some of the labor and supply constraints that we're experiencing today.

Katie Fleischer

Okay. Makes sense. And then just 2 more questions from me here. I wanted to pivot towards M&A. I know you discussed this a bit in the deck, but can you just talk about what your pipeline looks like going forward? Maybe what you're targeting when you think about M&A in the future?

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

Yes. Let me address it in relation to our last earnings call and before that. As we went into our last earnings call, the pipeline was not full, and there were just a few companies out there. And if we sort of go back to that period of time, what was happening was interest rates were increasing significantly. So the M&A market just sort of took a pause. That being said, I mean, deals have to get done for a number of reasons, family succession planning and other factors. And as we sit here today, we're seeing a high activity rate of some, what looks like to us, quality properties that are right in our strike zone. They're smaller in size, bolt-on deals, not likely to compete much with private equity buyers because of their size. And we see a number of opportunities, not only in packaging, but also aerospace. So given our balance sheet, we're looking carefully at a number of deals. Nothing to announce today, but certainly items that are deals that could be actionable.

We're still not seeing though, as you would imagine, larger deals in the market. And predominantly, that's because the competition for them would be very limited because of higher interest rates right now.

Katie Fleischer

Yes, that makes sense. Okay. And then just going off of that, so when you think about capital deployment, what are you prioritizing? Is it M&A? Is it share repurchases? And how do you kind of go about making that decision?

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

Well, Scott and I were just talking about that this morning. And we're looking certainly at the $55 million of cash that we brought in and sort of said, "Geez, that could be like a free company", through some great work that our teams did to unlock and unleash cash value to monetize some various treasury and assets that we had in our book that were not earning for us and turned that into a deal. So I would say in the nearest term, you're likely to see us shift a little bit of our focus to M&A.

Katie Fleischer

Okay. And of those 3 segments, is it really the Packaging and the Aero where you're seeing those opportunities for M&A?

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

Yes. And not that we wouldn't look at a deal within Specialty Products, but I want to just note a couple of things about the businesses that comprise that group. So our Norris Cylinder business has a strong order backlog right now and the investments that we're making there, and we've been on this pace for a couple of years and we're making good progress, is related to factory floor improvement. So if we can continue to find additional capacity, we can grow and expand our sales organically at that location without having to add some acquisitions on that front. And basically, the product that we sell is pretty all-inclusive. So unless we wanted to get into a completely new cylinder line... That's a whole different strategy; it's too long to go into on this call. We can talk about it at one of our other one-on-ones.

With respect to Arrow Engine, which we haven't talked about for some time, we're seeing the order book there increase significantly because, as you can imagine, the products that that business makes goes into applications to extract oil and natural gas in North America. And when we look at our current rates of crude and natural gas, I mean, there are some government regulation attentions that are out there, but nonetheless, our customers for Arrow Engine are placing orders again and that book is strengthening so we can expand that revenue across the current assets without necessarily having to do an acquisition.

So we're looking at our Specialty Products Group to give us some nice organic growth, assuming that any type of inflationary or potential recessionary effects don't impact those segments.

Katie Fleischer

Okay. Just one more quick one from me. On the Packaging side, when you think about M&A in that segment, how do you reconcile that with this softening demand that you're seeing this quarter? Is that really not even a factor because you're thinking more long term? Or do you see opportunities to work around that by expanding maybe in different product lines within that packaging segment?

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

Katie, that's a great question because if you take, for example, one of our largest submarkets is Beauty & Personal Care. Almost 90% of our sales in Beauty & Personal Care are Personal Care. And our Personal Care business is the consumer product lines that are most impacted by consumer sentiment and some of the issues that we're faced with today. So we have the ability to expand significantly in the Beauty area, and it's an area that is high on our priority list to grow.

In addition to that, Food & Beverage has been relatively strong during this period in total, and that's an area where we want to continue to grow. Life Sciences is an area that we penetrated earlier this year, and we see that as a vast opportunity for growth. In fact, I would like in 5 years' time to see Life Sciences to be a much more material part of our TriMas Packaging business.

So, we have a number of submarkets and product lines to add to TriMas packaging even in this current environment. Now we might take a look depending on the geographic region and risks associated with that. But overall, we see a number of opportunities that could be exciting for us.

Katie Fleischer

Okay. Great. That's good to hear. That's it from me. Thanks so much for taking all these questions.

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

Thank you.

Operator

As a final reminder, it is star 1 if you do wish to ask a question.

Operator

We have no further questions over the phone at this time.

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

Okay. There being no further questions, thank you for joining us on our earnings call. We look forward to updating you again next quarter.

Operator

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