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PRESENTATION

Operator

Greetings, and welcome to the TriMas Fourth Quarter and Full Year 2022 Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Sherry Lauderback. Please go ahead.

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

Thank you, and welcome to TriMas Corporation's Fourth Quarter and Full Year 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 results and on our 2023 outlook, and then we will open up the call for your questions. In order to assist with the review of our results, 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 877-660-6853 with a Meeting ID of 13735882. 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 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 today in the call. Today, this discussion on 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 fourth quarter earnings call. As recently announced, we are pleased to welcome 2 new companies to TriMas' portfolio of businesses; Aarts Packaging, which will report into our TriMas Packaging Group and Weldmac Manufacturing, which will report into our TriMas Aerospace Group. These 2 acquisitions are exciting additions to TriMas, and we now look forward to working with each of their leadership teams. I will discuss these acquisitions further in a few moments. Additionally, we welcome Greg Manfredi to TriMas, who will lead our Norris Cylinder business into its next phase of growth.

Greg has more than 25 years of manufacturing experience, is Green Belt 6 Sigma certified and was recently COO for JSW Steel's U.S. operation. In connection with Greg's appointment, Chuck Manz, the prior President of Norris Cylinder will move into a special projects role at the TriMas corporate office level, where he will support a smooth transition in leadership and assist in other high-impact manufacturing projects. I would like to personally thank Chuck for his years of service at Norris, and I look forward to Greg's future contributions.

I would like to now pivot today's call by first refreshing what we discussed on our prior earnings call, specifically related to demand challenges in our consumer products and certain of our industrial end markets. As we discussed, we began experiencing meaningful demand softness in the third quarter, which we believe was largely a function of inflationary pressures impacting consumer confidence, compounded by overstocked inventory positions. Therefore, we closed out our fourth quarter and the full year, largely as we anticipated toward the end of the quarter. With that said, as we reflect on 2022, TriMas made solid progress investing in and executing against our long-term strategy despite some of these demand side challenges.

First, a key tenet to achieving our long-term growth plan includes a reliable recovery in the Commercial Aerospace market. As we finish 2022 and entered the New Year, our backlog continued to strengthen, increasing by nearly 40% as compared to prior year levels. While we continue to work through near-term supply and labor constraints, all driven by high aerospace demand levels, we believe the market dynamics position TriMas Aerospace very well to enjoy a multiyear recovery for this important TriMas platform.

Within our TriMas Packaging Group, we've introduced a number of innovations in our closure and dispenser product lines, which provide sustainable solutions for our customers. Some examples include lighter weight, tethered caps for aseptic dairy and beverage applications, single polymer and easier to recycle dispensers for a variety of personal care applications and enhanced safety closures for certain agricultural and industrial container applications. And these are just a few examples of the many design and function innovations we are focused on to allow us to deliver long-term organic growth within our TriMas Packaging platform.

And it is also important to highlight that earlier in the year we launched TriMas Life Sciences through 2 anchor acquisitions, Intertech and Omega. These businesses, coupled with our existing presence in pharmaceutical and nutraceutical applications position TriMas Life Sciences for future growth, both organically and through additional acquisitions. On the treasury front, we continued our commitment to return capital as we execute our long-term strategy. In 2022, we did this through 2 actions. First, we paid a cash dividend which averaged a yield of about 0.5% for the year. And additionally, we repurchased nearly 1.3 million shares, therefore, reducing net shares outstanding by about 2.5%.

Given TriMas' strong cash generation model and low interest expense, we were able to provide our shareholders with approximately a 3% yield through share buybacks and dividends, all while retaining a strong balance sheet. I would also like to note that since the beginning of 2023 and as of today's call, we have repurchased an additional 0.25 million shares. We believe our low leverage and cash generation profile, coupled with our return of capital philosophy, is an important thesis to invest in TriMas. In addition, by leveraging the TriMas business model, we were also able to swiftly identify and monetize 2 noncore properties to bolster our 2022 cash and earnings performance and in turn, redeploy this cash in the first quarter of 2023 to nearly fully fund our new acquisition within the TriMas Packaging Group.

So overall, while our financial results for 2022 did not turn out as we had hoped due to macro market demand effects, we made solid progress against our overall business and capital allocation strategy. Let's turn to slide 4. As announced recently, we are off to a great start in 2023 on the acquisition front. First, we acquired Aarts Packaging, which is a Netherlands-based premier manufacturer of packaging products for the beauty, food and medical end markets. Aarts is a compelling fit within our TriMas Packaging Group given its presence in beauty applications, which is additive to our existing larger presence in personal care applications.

There are a number of cross-selling and global manufacturing opportunities we will pursue as we integrate Aarts packaging into our wider TriMas Packaging Group. Aarts revenue is of about EUR 23 million and we paid approximately 9x trailing EBITDA before any integration synergies. Additionally, we announced today that we entered into an agreement to acquire the assets of Weldmac manufacturing, a U.S.-based manufacturer of complex metal fabricated components and assemblies for aerospace, defense, space and industrial applications.

Weldmac is highly complementary to TriMas Aerospace's RSA Engineered Products and Martinic Engineered Products businesses and will ultimately add more than $30 million in revenues. Our TriMas Aerospace team has been working on Weldmac for some time as it is being sold out of a family estate. We had to work thoughtfully and patiently with the selling stakeholders to address each specific concern. Overall, we were pleased they selected TriMas to help navigate Weldmac into its important next phase of growth.

So while we are starting 2023 with one acquisition completed and one announced, our operating and corporate development teams remain active as we continue to search for acquisitions that will augment our long-term growth. Let's turn to slide 5. In addition to the progress we made against our long-term strategy, as noted earlier, we have also made excellent strides against sustainability and our commitment to ESG. This slide depicts the many facets of TriMas' business where we are focused on providing sustainable solutions to benefit our customers, stakeholders and society.

Our internal resourcing and decision-making processes and investments in growth, both organic and through acquisitions, contemplates our commitment to sustainability at our core. Let's now turn to slide 6, where I'll summarize our financial results for the quarter and full year. Sales for the quarter were $203 million as compared to $209 million for the prior year quarter as sales from acquisitions were more than offset by currency and reduced demand as discussed previously. Scott will also cover the dynamic sales and demand environment in more detail when he reviews each of our segments' results.

For the year, sales were $884 million or up 3.1% versus the prior year of $857 million as acquisition and organic growth more than offset currency and softer demand. Operating profit for the quarter was $36.3 million or 17.8% of sales as compared to the prior year quarter of $24.5 million or 11.7% of sales. As discussed on the last earnings call, we successfully completed a property divestiture project in the quarter, resulting in a cash gain of $17.6 million, which helped offset decremental operating margin from lower demand in the quarter, less favorable mix and other production input constraints.

For the year, operating profit was $116.2 million or 13.2% of sales as compared to 2021, where operating profit was $112.8 million or 13.2% of sales. Again, while we experienced challenges in 2022, impacting production input costs, higher inflationary costs and softer demand, particularly in the second half, our team's acceleration of mitigation projects helped overcome some of these macro effects. Earnings per share for the quarter was $0.62, and for the full year was $2.12 per share, which was within the updated full year guidance range we provided at the end of the third quarter.

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

Scott A. Mell - *TriMas Corporation - CFO*

Thanks, Tom. Let's now turn to slide 7. TriMas continues to maintain a strong balance sheet and liquidity profile with more than $400 million of cash and borrowing availability at the end of 2022. Our net leverage remains below our long-term target of 2x at 1.6x, even after using more than $150 million of cash this year to reinvest in our businesses through capital investments and acquisitions as well as provide returns to shareholders through share repurchases and dividend payments.

Free cash flow for the year was $43.1 million, down on a year-over-year basis, primarily as a result of lower cash from operating activities and our ongoing efforts to mitigate supply chain disruptions through proactive inventory management. Finally, and as Tom mentioned earlier, I'd like to highlight that in addition to the cash flow generated from operating activities this year, we generated $55 million of pretax cash proceeds from the sale of 2 noncore properties and the settling of our outstanding cross-currency swaps, which I detailed further during our third quarter earnings call.

Now let's turn to slide 8, and I will begin my review of our segment results, starting with TriMas Packaging. Fourth quarter 2022 net sales were $106 million and decreased $18 million or 14.5% as compared to the year ago period. Acquisitions contributed $10 million of sales during the quarter, while the impact of unfavorable foreign currency translation reduced sales by $4.7 million or 4%. As expected and outlined during our Q3 earnings call, organic sales, excluding currency, decreased by 19% during the quarter due to an abrupt demand reduction for our products as dispensing products with applications in the personal and home care end markets and closures products for the food and beverage end markets continue to be negatively impacted by weak demand and our CPG customers continue to work through inventory positions and rigorously assess future consumer demand given the current high inflationary environment.

While we continue to believe that the current demand environment is temporal, and we expect to see a pick-up in sales activity in Q2 when compared to Q1 as our customers continue to work through their year-end inventories we don't expect to get back to more normalized sales levels within TriMas packaging until the second half of this year. In addition, demand for our caps and closures products, which serve certain industrial end markets was meaningfully impacted in the quarter due to generally lower manufacturing activity in most regions where we do business.

As inflation and interest rates begin to show signs of stabilizing, we expect industrial output to recover, and we are well-positioned to serve this demand with our current manufacturing capacity. Operating profit in the quarter decreased by $7 million to $15.1 million, primarily on account of the impact of lower sales, but also due to less favorable sales mix as well as continuing inflationary pressure on input costs. Operating margin was 14.3%, while adjusted EBITDA was $19.7 million or 18.7% of net sales. We do expect to return to more normalized levels of operating profit and EBITDA margin within TriMas Packaging in the second half of 2023 as demand begins to revert, and we execute at historical conversion rates on open capacity.

Pivoting now to the 2023 outlook for our Packaging segment; we expect sales growth of 4% to 10%, including the impact of the recently announced acquisition of Aarts Packaging. Organic sales are expected to continue to grow at a rate of historical GDP-plus, while operating profit margin is expected to improve to between 17% and 19%, primarily on account of improved volumes in the second half of this year. While our outlook for 2023 assumes the stabilization of key material costs, including resin, we do expect other inflationary pressures to continue for the foreseeable future.

Turning to slide 9, I will now provide an update on our TriMas Aerospace segment. Net sales for the quarter increased by $3 million or 3% when compared to the same period a year ago. As I mentioned throughout 2022, sales and operating profit for TriMas Aerospace in 2021 were positively impacted by nearly $30 million of stocking orders for highly profitable specialized fasteners from one end customer. Adjusting for the impact of destocking orders in Q4 of 2021, Q4 2022 organic sales were up 22.6% year-over-year as we continue to see strong order intake and backlog for many of our aerospace products as general aerospace volumes continue to recover ahead of initial market expectations.

Operating profit for the quarter was $1.4 million or 2.8% of sales as compared to $3.5 million or $7.4 million in the prior year. This year-over-year decline is primarily related to 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, including material costs. Adjusted EBITDA for the quarter was $6.2 million or 12.2% of sales. Pivoting now to our 2023 outlook for TriMas Aerospace; as Tom mentioned earlier in this call, order intake remains robust within TriMas Aerospace, and we expect to see strong organic sales growth in 2023, with total sales improving between 25% and 30% on a year-over-year basis.

This includes the impact of our recently announced acquisition of Weldmac Manufacturing Company. While we expect to continue to have to actively manage through a dynamic operating environment in 2023, operating profit margin for TriMas Aerospace for the year is expected to improve to between 5% and 8% as the production challenges experienced during 2022 begin to ease on account of improved manufacturing efficiencies. While these expected margins are higher on a year-over-year basis, they still reflect historically low production rates for wide-body aircraft, which remains more than 50% below pre-COVID rates.

Now on slide 10, let's review our Specialty Products segment. Net sales in the fourth quarter increased by more than $9 million to $47 million, a 24.2% increase when compared to the same period a year ago. This is now 7 consecutive quarters of double-digit growth for our Specialty Products segment. Demand for steel cylinders and power generation units and related spare parts, each for the North American region remains robust with moderately high levels of backlog for both businesses. Operating profit in the quarter was $9.5 million or 20.2% of sales as compared to $5.4 million in the previous year period.

Operating margins improved as higher sales and pricing actions more than offset inflationary cost increases. Adjusted EBITDA for the quarter was $10.5 million or 22.3% of sales. While both Norris Cylinders and Arrow Engines order books remain strong, which we believe is indicative of continuing resilience 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.

Finally, our outlook for Specialty Products segment assumes continuing high demand for our products within our key end markets, including construction, HVAC and general industrial as well as the impact of new product innovations for our power generation and compressor products. We expect sales growth of between 10% and 20% and operating profit margin of 17% to 19% as we continue to benefit from our previous investments to increase capacity, improve operating efficiencies and bring new innovative products to market.

At this point, I would like to turn the call back over to Tom to discuss our 2023 outlook and for some closing remarks. Tom?

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

Thank you, Scott. Let's turn to slide 11. As we model 2023, we continue to experience a period of demand uncertainty in certain end markets. As discussed on our prior earnings call, and as Scott noted, with respect to TriMas Packaging, we are continuing to take a cautious approach to balancing our support infrastructure against what we believe is a temporal demand effect with certain of our consumer goods and industrial product lines.

While we have flex certain of our operations experiencing lower production activity, we are also forecasting a recovery in many of our food and beverage, beauty and personal care and industrial end market applications beginning in the second quarter and then ramping up significantly in the second half of 2023. While many of our customers also support this assumption, we cannot predict at this time if the consumer goods markets will significantly ramp up in the second half. However, we do expect to see some better planning indicators early in the second quarter.

And of course, if we do not see positive indicators as we enter the second quarter, we will continue to take aggressive cost containment actions. Within our TriMas Specialty Products and TriMas Aerospace businesses, we are modeling that demand will remain strong throughout the year. While we are expecting to continue performing at high margin levels in TriMas Specialty Products, we also believe we will continue to make meaningful strides in progressively converting better on higher demand through 2023, particularly in the second half within TriMas Aerospace.

With that, we anticipate our full year net sales will be up and in the range of 10% to 15% and are forecasting adjusted EPS to be in the range of $2 to $2.20, with the center point essentially even with 2022. Our outlook considers that we have an embedded hurdle to overcome in 2023, given some of the monetizing projects we successfully executed last year. We also are forecasting our free cash flow outlook to be greater than 100% of net income. Additionally, we are forecasting first quarter EPS to range from $0.24 to $0.28, well below first quarter 2022 and our forecast for any other quarter in 2023 as order activity in TriMas Packaging has not yet begun to materially improve from the levels experienced in the fourth quarter of 2022.

Let's turn to slide 12. We I would like to again thank our investors for their support as we navigate through this uncertain demand 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, while we are experiencing some lower period demand in certain 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 underway and coming to market.

We also expect to continue to make progress on accelerating growth in our packaging group through additional acquisitions. We are also increasingly more confident about the recovery within the commercial aerospace end market. We expect to ultimately work through labor and supply constraints and take advantage of long-term operating leverage gains as commercial jet production continues to strengthen and demand in 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 as we have always done, we will continue to assess TriMas' overall portfolio of businesses to ensure we are focusing our resources in our best position to create the highest long-term value for our shareholders. While we continue to reinvest in our businesses for long-term growth, we also anticipate continuing to return capital to our shareholders, both 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 - *TriMas Corporation - VP of IR & Communications*

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Ken Newman with KeyBanc.

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

For my first question, Tom, I'm curious -- could you just give a little bit more color on what gives you confidence that selling patterns in packaging are going to revert back to that normal seasonality beyond the first quarter? Is it something specific within the conversations you're having with your customers? Is it -- is there anything specific that we should kind of take note about how the contracts are put together or anything like that?

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

Yes. Great question, Ken, and thank you. We've obviously spent a lot of time on this as we closed out the year and into -- early into the quarter. But the biggest driver, we believe, of what occurred at the end of last year and into this first quarter was customers earlier in the year that went into an overstocked position. We talked in 2022 quite a bit about supply constraints. And we felt and we learned sort of after the fact that a number of our customers, particularly in the personal care area that maybe had challenges getting supply in and around COVID and related to some import issues, they started to buy ahead.

And we went into the end of the year. We didn't know precisely where our customers were with their inventories -- and as the market started to slow down in the consumer goods purchasing area, but also with just consumer confidence and sentiment reducing, many of our customers took the position that they were going to slow or even in some cases, drop shipments that they had ordered on our books at the end of last year. So we are talking to our customers today, we know that they're burning through that inventory. We don't think this is like many, many quarters of inventory on hand.

There's a few customers where that could be the case on certain SKUs. But for the most part, we're starting to see some orders revert. We're starting to get communications that orders will be coming in. So we're feeling pretty confident that reordering will start to occur in Q2 and with a pickup in the second half. The only caveat that I just want to put out there, and I mentioned this, is we can't predict what will happen with consumer take rates. And if consumer confidence picks up in the second half, if inflation starts to subside, I think that could be a nice benefit for us, but we haven't modeled that in.

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

Understood. That's very helpful. Switching over to Aero. Obviously, it seems like you expect Aero sales to be well above pre-COVID levels this year, but the incremental margin seems relatively limited. I'm guessing that's due to the special stocking orders that you took last year. Maybe just can you walk through the puts and takes and why the operating leverage is weaker despite the big step-up in revenue? And is there any way that you can quantify what core incrementals would have been if you act out that special stocking order from last year?

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

Well, I'll let Scott address the second part of that question. What I would just say is as we go -- as we work through 2023, we do expect -- sequentially for our margins to improve as we work through some of the production constraints that we're still experiencing. And yes, there still is a very big mix issue that is occurring within TriMas Aerospace.

Even if you exclude the special stocking order, some very favorable business for us, product lines for us related to 777 production that hasn't even turned on yet. So we think that's more like a 2024 or even 2024 and half and 2025 event. But we do have some mix issues that are occurring today, and then we have some production constraints that we're still working through in the first half. So we expect to exit the year in a better position and even sequentially in 2024, improve our margins on the TriMas Aerospace front.

Scott A. Mell - *TriMas Corporation - CFO*

Yes. I mean if you look at the margin profile for last year, it was around 4%, 4.5% if you exclude some of the onetime items. I look at what we're giving outlook for this year. We're going to be sequentially stepping that margin up. But to Tom's point, while the top line is growing, we do have mix issues. We haven't seen the wide-body volume come back. And we've added some new businesses, which are kind of in the process of being integrated and ramped up. RSA has a big program that's going to be coming in. So that margin profile is going to improve quickly.

Obviously, the Weldmac acquisition takes us some time to integrate these businesses and get those margin profiles to the place where we need them to be. So for me, this feels like a bit of a transitionary year for our Aerospace business, and we expect to see those margins start to creep back closer to kind of where we are running historically. But I mean, just to be clear, I mean, it's a bit of a different operating environment today with the high demand, the level of inflation and the fact that our aerospace team is really investing in some key functional capabilities to meet what we expect to be high demand for the next few years here. So that's all ingrained in the outlook for 2023.

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

Understood. Maybe if I could just squeeze one more and then I'll jump back into the queue. I just want hoping to clarify the first quarter guide a little bit. Maybe could you help us frame how the sales are expected to trend sequentially from the fourth quarter across all the segments? Specifically, I'm curious if you -- if we should think that packaging sales are down sequentially from 4Q levels? And then any help on the margin expectations for those segments would be great as well.

Scott A. Mell - *TriMas Corporation - CFO*

Yes. So yes, and we do expect for packaging sequentially Q4 to Q1 to be relatively flat. And historically, we would have a nicer pickup there as we would ramp up into the New Year. And then for some of the other businesses, aerospace, some seasonality that would be having those businesses flat to a little bit up.

Operator

(Operator Instructions) You have a follow-up from Ken Newman with KeyBanc.

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

I do want to ask about the incremental color on the M&A pipeline. Obviously, Weldmac seems like a decent deal here. Curious if -- are you still prioritizing packaging deals or should we take Weldmac to signal that your -- there's maybe some better opportunities in that sector instead?

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

No. Definitely, we have a higher priority. If I look at our corp dev internal resources, we're investigating and spending a larger share of our time on packaging deals. And particularly, we're focused in not only expanding in the area of beauty, which Aarts is a great example of that but also where we could add in our Life Sciences platform. The Weldmac opportunity was opportunistic, and I think it's going to be a great company for us.

There's a lot of work to do. Like I mentioned in my script, it was acquired out of a trust and the owner had passed a number of years ago. And we think as part of the TriMas Aerospace Group, the customer base will really appreciate the stability of it, and we think there's great opportunities with that. But that was more of what I would call not only a very great add and a compelling fit, but also an opportunistic purchase.

And Ken, I just wanted to come back to your earlier question. We do expect packaging in Q1 to be up slightly versus Q4 where we exited, which also is an indicator -- will be an indicator as we start to see orders come in into Q2 and the rest of the year.

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

Okay. That's very helpful. For Specialty, obviously, you're guiding margins for the year a little bit lower than what I think have been record margins in that business last quarter. Just talk a little bit about what the puts and takes there on why margins are a little bit lower versus 4Q levels? Is that just conservatism? And how do you think about run rate margins going forward through the cycle for that business?

Scott A. Mell - *TriMas Corporation - CFO*

Well, I think as it relates to Specialty Products, if you look to (inaudible) the fourth quarter, yes, the operating margins were a little bit higher than what we're guiding to. But for the full year, we're still forecasting sequential margin growth there if you look at the mid-range of our outlook. So I think with the Specialty Products Group, the key item there is just managing through material costs. We've seen some volatility in steel costs. They went up, they've come down, and they're starting to creep up slightly a bit here so nothing unique there. And again, I think if you look at this on an annualized basis, the 17% to 19% is sequentially over what we achieved in '22. And if you look back for a few additional years, you can see the margin continuing to increase year-over-year sequentially.

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

Maybe last one for me. Obviously, free cash impacted by the weaker demand this quarter. You're still expecting 100% plus conversion for the full year '23. Inventory still seems a little elevated despite the consolidated sales decline this quarter. Maybe just talk through how you expect working cap to trend through the year? Would you expect free cash to be a use in the first quarter?

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

We do -- well, I'll let Scott address the first quarter specifically. But yes, we did exit the year with higher working capital than we would normally have in our business. Some of that was related to mix and some of the abrupt change in demand. But some of it also was related to us doing what our customers were doing throughout the year, which is protecting supply.

And we did have situations in 2022 where we had poor balancing in our production activities because we were -- we didn't have certain materials and components that we needed to run certain lines. So as we went through the year, we too overstocked in certain areas. So we still have that in place. And I think as we go through the year, you'll start to sequentially adjusted for seasonality see us improve in net working capital. And our plan is to exit the year in a better position.

Scott A. Mell - *TriMas Corporation - CFO*

Yes. I mean as you know, Q1 is typically a lower cash flow quarter for us, just given the investment and the seasonality in the business. I think, obviously, given the fact that we've given guidance that our largest business we expect to see sequential quarter-over-quarter improvement and a really strong second half of the year. I think you can then ascertain that our cash flow is going to be more heavily weighted towards the back half of the year.

Operator

There are no further questions. I would like to turn the floor over to Tom for closing remarks.

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

Well, once again, I'd like to thank you for joining us on our earnings call, and we look forward to updating you again next quarter. Thank you very much.

Operator

This concludes today's teleconference. You may disconnect your lines at this time and thank you for your participation.
