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TRS - TriMas Corp Announces Plan for Tax-Free Spin-off of Cequent Businesses

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PRESENTATION

Operator

Good day and welcome to the TriMas Corporation update call. Today's conference is being recorded. At this time, I would like to turn the conference over to Sherry Lauderback.

Sherry Lauderback - *TriMas Corp. - VP, IR and Communications*

Thank you. Good morning and welcome to the TriMas Corporation conference call to discuss our plans to separate into two public companies. Participating on the call today are Dave Wathen, TriMas's President and CEO, and Mark Zeffiro, our Executive Vice President and Chief Financial Officer. We also have, Josh Sherbin, Bob Zalupski, and Paul Swart from our corporate team present in the room. Dave and Mark will review the spinoff of TriMas's Cequent businesses, as well as provide details on the new TriMas and the new Cequent. After our prepared remarks, we will then open the call up to your questions.

In order to assist with your review of our results, we have included the 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 118-0560.

Before we get started, I would 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 in 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.

At this point, I'd like to turn the call over to Dave Wathen, TriMas's President and CEO. Dave?

Dave Wathen - *TriMas Corp. - President & CEO*

Good morning and thanks for joining us today on such short notice. We scheduled this call today to share some significant news about TriMas as we have started down a path that we believe will unlock considerable value for all of our stakeholders.

As most of you are aware, I have been in this role since January 2009 and have had the opportunity to help transform TriMas from a highly leveraged holding company into an operating company with a track record of revenue and earnings growth. Today I will share with you some exciting news that continues this transformation and accelerates our pursuit of our strategic aspirations by announcing the spinoff of our Cequent businesses.

My summary of our messages this morning are as follows. First, to best achieve our goals, we are taking an important step for TriMas. We intend to spin 100% of our Cequent businesses into a separate, standalone, publicly traded entity. We expect to complete this transaction by midyear 2015, and our current Chief Financial Officer, Mark Zeffiro, has agreed to lead this new company as its CEO.

Second, this move will establish two strong businesses that have distinct characteristics and independent growth and margin expansion opportunities. Each business will benefit from their own focus on capital allocation, investment targets, organizational structures and incentives. The separation will allow each company to pursue a more focused strategy that leverages their respective strengths, while providing two different and compelling investment opportunities that can be achieved in a tax efficient manner.

Mark and I are both committed to proving that the value of these two businesses can exceed one plus one.

Third, the timing is right for this spinoff. Cequent used to be a turnaround business, but over the past few years, Cequent has established a global footprint, built and ramped up new lower-cost plans, consolidated several headquarters locations, and broadened its product portfolio. These changes have positioned Cequent to be a fully capable and profitable standalone company. As a standalone, these Cequent businesses will be better equipped to capitalize on the upsides and optimize the business.

I would now like to spend a moment briefly talking about the expected transaction on slide 6.

As part of our corporate responsibilities, our leadership team and board continue to review portfolio management actions that may drive shareholder value. After conducting a thorough review of strategic options and alternatives, we have decided to spin off our Cequent businesses, which today consist of the Cequent Americas and Cequent APEA segments. We anticipate completing this transaction by distributing all of the shares of the new standalone Cequent company to TriMas shareholders who initially will own 100% of the shares. It is expected that this transaction will be tax-free to TriMas's US shareholders, and it is, of course, subject to all of the customary closing conditions, final approval by the TriMas board and a tax-free opinion.

Moving on to slide 7, which illustrates the two future company profiles, we have used our standard format here to illustrate some of the key statistics of the new TriMas and new Cequent. We will be establishing two industry-leading independent companies. Both companies will have strong financial foundations, compelling investment theses, strategic focus, and experienced leadership teams.

On this page, the obvious difference is the operating profit margin levels. The two companies operate in different markets with inherently different margin profiles.

On the next page, slide 8, we describe the other characteristics that support our premise that distinctive strategies and tactics, capital allocation and focus will enhance shareholder value for each new company. Neither set of characteristics is better or worse, but they do need different approaches to enhance value.

Our main focus at Cequent has been consolidation and cost out, but as we have more recently worked our globalization and our product portfolio at Cequent, the upside takes in some distinct approaches has become more apparent.

Slide 9 should look familiar to you as it includes our strategic aspirations that we have consistently used over the past several years. The spinoff of the Cequent businesses definitely accelerates our achievement of these aspirations as TriMas's growth and margin rates will improve immediately upon transaction completion. Through the spinoff, we believe Cequent will also be able to improve its growth and margin profile.

Before I turn the call over to Mark to discuss Cequent, I would like to make a few comments about his future new role as CEO of this new entity. Based on the past six years I've worked with Mark, I am convinced that he is well-equipped to take on this new responsibility. He has accomplished many significant milestones on the financial side effects and also contributed greatly to our business operations. Not only has Mark been integrally involved in all of our efforts at Cequent over this timeframe, his own background in global, consumer-facing businesses like General Electric, Black & Decker, indeed, will bring a solid understanding of complex businesses like Cequent.

In addition, the management teams at Cequent are strong and already have many improvements underway. Being a standalone company will only enhance their speed, agility, and focus. Mark happens to be in Australia right now, but I would like him to share a look at Cequent and what this business has going for it. Mark?

Mark Zeffiro - *TriMas Corp. - EVP & CFO*

Thanks, Dave, for the introduction. I'm excited about this new opportunity in working with the talented global Cequent team as we advance Cequent into one global company. Cequent has a long history of providing high-quality products to its customers with significant brand equity. While the decision is being made to separate Cequent from TriMas, I believe this is a positive for Cequent. As a standalone business, we will have the opportunity to invest and make decisions that are focused on and are in the best interests of Cequent and its customers and its employees.

As you can see from slide 11, Cequent has a track record of growth with a sales CAGR of greater than 10%. This growth has been driven by significant organic initiatives and acquisitions. Over time we've positioned the Company to have a global footprint. Our efforts to modernize the significant manufacturing footprint are mostly complete with the heavy lifting behind us. Optimization of these investments remains an opportunity as our focus will shift from plant consolidation and footprint moves into margin expansion and optimization of a global sales presence.

As we can see at the bottom of the page, Cequent has a collection of market-leading brands that serve all of our major channels.

Moving on to slide 12, Cequent is uniquely positioned as a global market leader and has the ability to deliver a full product line to each channel in every part of the world. Our current business mix is evenly divided amongst aftermarket, retail and OE channels. We are a market leader in North America and Australia and have recently expanded into Europe and emerging markets through acquisition. In each market, we bring a variety of accessories to be used in towing or trailer activities, including small vehicle to heavy-duty towing applications, cargo management accessories, wiring and lighting, brake controllers and other accessories.

A significant portion of our broad product portfolio is IP protected, and we reengineered our products to remain current, evolving with the changing market trends and conditions.

On slide 13, we have provided a summary by channel and geography of our future opportunities for growth. While we believe there are significant opportunities in each segment, we are focused on sales growth in markets which are newer to us, which include Europe, Asia, Africa and South America. We are in the process of leveraging our existing products and global customer relationships to drive incremental volume in these geographies.

In the two markets where we have the longest presence and significant market share, North America and Asia-Pacific, we are focused on driving continued customer penetration and margin expansion via productivity within our new facilities.

We also see opportunity in each channel. For example, we are taking advantage of the growing e-commerce trends within our current retail customers, as well as customers like Amazon.

In addition, our global OES customer channel relationships developed in the Asia-Pacific region are creating opportunities in Europe and other places around the world. By executing on these initiatives, we expect to drive continued sales growth while improving margins and return on capital.

In summary, the foundation has been built with a global footprint, the broadest product set and well-established customer relationships with major customers. The key will be leveraging all of the existing regional strengths into one global enterprise to better serve our customers and drive significant shareholder value. By being a separate standalone company, Cequent will be able to accelerate these initiatives and reinvest the cash generated to drive future growth and margin expansion.

Over the course of the next several weeks and months, I will meet and expand collaboration with the Cequent team to refine the tactics to accomplish these objectives. I look forward to all of their ideas and knowledge sharing as we collectively forge the path for the new Cequent.

At this point, I'll turn the call back over to Dave. Dave?

Dave Wathen - *TriMas Corp. - President & CEO*

Thanks, Mark. On slide 16, I'll share an update of the new TriMas and why I believe this transaction positions TriMas for a great future. We will be a simpler, higher growth, higher margin, more focused company. TriMas is well-positioned in attractive markets within packaging and aerospace, and we have opportunities for margin improvement in several of our businesses, including energy.

So let me do a quick update on the four segments -- packaging, aerospace, energy, and engineered components -- that will be part of TriMas going forward.

Packaging, on slide 17, continues to perform well, maintaining operating profit margins in the mid-20% range and growing revenue through a combination of organic programs and strategic acquisitions. The programs that we have discussed are progressing well. Sales in Asia continues to ramp up. New capacity in our China tube plant and the three plants we acquired with Lion Holdings are on plan. Europe is still soft, which is no change, and the team has begun a global sales project to fine-tune how we sell all applicable products in all regions.

Moving on to slide 18, aerospace. The big event in aerospace is, of course, adding all fast fastening systems to the portfolio, which will definitely have a positive impact on this segment moving forward. The integration is proceeding well. We're meeting with customers and are refining our go to market strategy as one company. The core monogram business is performing with operating profits in the low 20% range, and Mac Fasteners is continuing to ramp up.

Unfortunately, Martinic Engineering has been off-track enough to drag margins down. That said, Tom Aepelbacher and the organizational changes he's implemented will get Martinic back on track and improve TriMas aerospace as a whole.

Energy is on slide 19. We have previously discussed our efforts to optimize this business and return alignments to the margin levels achieved before the market turn down in mid-2013. I'd like to provide a little more color on these actions as communicated in our press release this past Thursday.

This margin improvement effort is twofold. One, cost outs to achieve higher margins in our standard products, and two, increased sales of our higher-margin special and quick turn projects. Here's an update on these ongoing projects.

Regarding cost outs, we have completed the major components of rightsizing our operations in Brazil through plant consolidation to meet the current demand levels.

We have also completed vertical integration into our India plant of previously outsourced sheet materials. We are in the process of installing SIOP processes to drive cycle time and inventory reductions, as well as yield improvement programs in our Houston hub. On Thursday we also announced we have approved a preliminary decision to move a portion of the gasket and bolt operations from the Lamons Houston facility to a new Lamons facility in Mexico. We will provide a further update on this preliminary decision in January, so more to come.

Now, on to selling higher-margin special products. We've been focusing on some major E&C products, particularly on the Gulf Coast, and have been having some success. We also achieved specific certifications at our UK fastener plant, which will position us to produce additional higher end products. These and other programs yield incremental sales at higher margins in 2015 and 2016 that should accelerate our margin improvement at Lamons. This remains an important business for TriMas, which we believe has significant upside.

I appreciate the Lamons management team's focus and efforts on these needed margin enhancement initiatives.

Finally, I'd like to touch on our engineered and components businesses on slide 20, which are both running well, with operating margin nearly 15%. Norris Cylinder continues to integrate and gain new business from the acquisition in quarter four 2013. Aero's margins are showing the positive effect of the multiple profit improvement programs in the past year. Current volumes at aero are still good, but we do expect some drop off in engine sales in Q1 2015 due to lower oil prices. So we are adapting now.

There appears to be some possible upsides in compressors and in Mexican oil fields that occurred -- that occur in 2015, but we don't feel like we can count on these yet.

So overall, I am upbeat about all the businesses that currently make up TriMas and feel that the decision to spin off the Cequent businesses will create value for all. Cequent continues to improve and should do well in the first half with even more upside as a separate entity.

While we don't have all the details complete yet, I do want to assure you that we have a comprehensive plan in place and understand what needs to be done to complete this transaction in an effective and efficient manner.

One area of interest internally within TriMas and by investors may be our headquarters costs. While we are moving down the path to spinning out a significant portion of our revenue and earnings, the current workload is not going away in the short term and, in fact, will stress the quality resources we have in place today, given the significant amount of work that is required to be completed by all headquarters functions to affect the spinout in the mid-2015 timeframe. We are working on action plans to accomplish the many tasks to complete and are ensuring our people have the resources needed to do so.

Once the transaction is complete, TriMas will be entering into a transition services agreement with Cequent to provide many of the services that will be needed as a standalone public company for a 12- to 18-month period until such time as Cequent evaluates its needs and select the most appropriate path to cover such services moving forward.

And, as you know, just in like our operations, we strive for lean processes with continuous improvements within headquarters that will constantly evaluate our needs and resources to appropriately serve our operations and maintain compliance programs.

In summary, I'm absolutely convinced that Mark and I have the rare opportunity to accelerate the value of two strong companies. We are excited about this opportunity, and we will share more information with all of you as it becomes available.

At this point, we would like to move on to answering your questions on this planned transaction or any of the other content we discussed today. So now we will open the call to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Andrew Casey. (technical difficulty). Mr. Casey, please check your mute function.

Andrew Casey - *Wells Fargo Securities, LLC - Analyst*

Thank you. Good morning, everyone. Congratulations on the announcement. Dave, the first question for you. As you went through the business status for the new TriMas, I just wanted to make sure, are any of the headwinds you described new relative to the guidance the short-term guidance you provided at the time in Q3?

Dave Wathen - *TriMas Corp. - President & CEO*

I did want to acknowledge that everybody knows oil prices are down, big questions about what does that mean in shale fields and all that. But I did try to specifically say, short-term it looks kind of as is, just the lumpiness in it, but we have to recognize we might see something in 2015. But we haven't provided 2015 guidance yet. We will in our normal first-quarter earnings call.

Andrew Casey - *Wells Fargo Securities, LLC - Analyst*

Okay. Great. Thank you. And then could you provide any clarity -- I know it's early days yet -- but around the capital structure for the two new companies and whether there is any consideration for dividend payments or the like from the new Cequent business back to the new TriMas?

Dave Wathen - *TriMas Corp. - President & CEO*

We have -- I don't think we are ready to provide much detail, Bob, unless you've got anything we can add. We do understand what it will look like. We understand what will happen preliminarily on debt in both companies, etc., but I think you better stay tuned before we provide more of that.

I think generically, there are a lot of these kinds of transactions. So we've got lots of examples to look at and learn from and advisors understand it inside out, but we also are cautious to kind of get things tied down before we announce. And so you'll have to put up with us waiting until we have something well-defined before we give it out. But obviously we are satisfied that the capital structures work, and there is money available and all that kind of thing.

Andrew Casey - *Wells Fargo Securities, LLC - Analyst*

Okay. Thank you very much.

Operator

(technical difficulty).

Sherry Lauderback - *TriMas Corp. - VP, IR and Communications*

Is there another question?

Operator

Mr. [Cusid], please hit your mute function?

Unidentified Participant

Sorry. Sorry about that. I guess this is a new system you guys are using. Didn't hear the operator. Good morning. So just on the energy, you know, restructuring and any kind of quantification of potential future benefits of what you guys announced last week?

Dave Wathen - *TriMas Corp. - President & CEO*

Not yet because we're not final on the plans. But we -- this is -- we've done these kinds of things at different times, and we do know what to expect, so. But it's a big step on the premise of getting the standard product margins where we need them to be, but it's preliminary to give you specifics yet.

Andrew Casey - *Wells Fargo Securities, LLC - Analyst*

Okay. And on the fundamentals of that business, I mean obviously the -- everybody is kind of worried about the upstream stuff. It's not like you guys have been seeing tremendous volume growth in the downstream-related business there, but oil price is moving around and maybe just on to some of the same customers. Any signs of, you know, kind of a little bit of a mid-quarter update on the end market demand in that business? I think you were talking about energy before. You were talking more about the upstream stuff. Maybe what are you seeing in the downstream aspect of the business?

Dave Wathen - *TriMas Corp. - President & CEO*

I would say downstream refineries, turnarounds, that sort of thing actually feels like there's quite a bit of that coming back. We've had kind of a lull of it. Order rates look pretty strong right now. Some of the big project things are turning on. I mentioned to some of the E&C stuff coming on. So -- and that downstream and processing is maybe even countercyclical sometimes to actual feedstock prices. There is a whole lot of variables in it, but we can tell you that if you looked at our daily order rates and all that, they are feeling a whole lot better than they did a year ago.

Andrew Casey - *Wells Fargo Securities, LLC - Analyst*

Right. So it's not like you were blowing the doors off with $100 oil. So it would seem that there would be a little bit of perhaps a countercyclical element there. Okay. That's basically it. Thank you.

Operator

We will go to our next question.

Rob Kosowsky - *Sidoti & Company - Analyst*

Hello?

Sherry Lauderback - *TriMas Corp. - VP, IR and Communications*

Hello.

Rob Kosowsky - *Sidoti & Company - Analyst*

Good morning?

Dave Wathen - *TriMas Corp. - President & CEO*

Good morning. We didn't intentionally change systems, so something is going on. So good luck getting through.

Rob Kosowsky - *Sidoti & Company - Analyst*

It's Rob Kosowsky from Sidoti. Am I online right now for a question?

Dave Wathen - *TriMas Corp. - President & CEO*

Just one, Rob.

Rob Kosowsky - *Sidoti & Company - Analyst*

Okay. I'm curious if you can give us an update on the Cequent manufacturing and distribution issues that you've had over this past year. Are they well on the path to being resolved, and just kind of wondering about the timeliness of this move given the fact that you did have kind of a major facility move going on in Mexico as well?

Dave Wathen - *TriMas Corp. - President & CEO*

The summary that is the manufacturing move is the production rates in the new plants in Mexico is well above what we ever achieved in the former plants. So we are replenishing inventories. The lot size capability is about where it should be. So manufacturing is good. It will take some time for that to flush through the warehouse systems, but we are rebuilding stocking levels fast. And the old problem we were having of either the only one we had in stock was sitting in Oregon and the sale was in Atlanta or being out of stock, that we've pretty well solved. The team has pretty well solved. Getting everything where it ought to be is -- and then the heavy turn on season is in the first quarter. We should be in pretty decent shape for that.

We still are not fine-tuned in the shipping and transaction and all that because we just did -- parallel to all this, our volumes have gone up. But it's getting close.

On the incoming side, it has been much slower than we anticipated getting suppliers closer to the plant. While we are getting them qualified, many of them are busy, and I always say if you go back and look at it, I would say we do realize how busy southern plants, Mexican plants and all that are, and it has stressed the suppliers. The big brackets for you in hardware and things like that.

So, that's going to take a while yet. I don't want you to think we're going to get through that for a couple three quarters yet, but it's on the improvement pad. The only downside is we have to ship componentry further on an incoming side, cross the border, mess with customs and all that, but it's doable. So we won't be disappointing customers, but we will have some extra costs for a couple, three quarters yet. It's definitely on the improvement path. It feels like it is.

Rob Kosowsky - *Sidoti & Company - Analyst*

Okay. And has the spinoff been in the works for a while? You've been contemplating this for a while, and you just needed the Mexican facility to fit a certain, I guess, level of operational prowess before you went live with the spinoff, or is this something that is an idea that came up, and you decided to act on it within the past month or two?

Dave Wathen - *TriMas Corp. - President & CEO*

It's a little closer to the latter. It's been more a matter of getting operations so that we've got a line of sight on where it needs to be, and some of it has been some moves in Europe and that kind of thing that we wanted to get well understood.

Whether it's a spin or a sale on that sort of thing, that's a normal kind of corporate development look in the forward-looking at pluses and minuses, and what's the proceeds, and what's the options for shareholders and ultimate value and all that. So that's a long answer to say a variety of things move in parallel. So it's been in works for a little while, and we are announcing because we're confident we can see a path and that it works.

Rob Kosowsky - *Sidoti & Company - Analyst*

Okay. That's (multiple speakers)

Dave Wathen - *TriMas Corp. - President & CEO*

With the caveat that there are more details in this as you can imagine and we've got to get -- we don't want to announce things until we get it tied down. So you'll see ongoing announcements as we get things settled.

Rob Kosowsky - *Sidoti & Company - Analyst*

Okay. That's helpful. And then the final question is just on management bandwidth. Given the Allfast deal, given the split and you commented about how I guess corporate is being taxed to a certain extent, could you handle another acquisition at this point, or could you handle another divestiture, or is this something we'd have to wait for another corporate action until the spinoff is complete?

Dave Wathen - *TriMas Corp. - President & CEO*

Rob, were you tapped into my all-employee call a little bit ago? I talked the issue with acquisitions or divestitures. Is management horsepower exactly the question you're asking? So never say never, but we -- like everybody, we recognize we can't do everything all at once. You've got to decide what's the top of the list. So, if we did something else, it would be mighty compelling, and we would've worked hard to convince ourselves we could get it done. So we'll be -- I won't say absolutely no, but we are going to be -- you know, we are going to be cautious before we take on too much. This is a big project, and we have got -- (multiple speakers)

Rob Kosowsky - *Sidoti & Company - Analyst*

All right. Thank you very much and good luck.

Sherry Lauderback - *TriMas Corp. - VP, IR and Communications*

John, is it possible to introduce the person asking the question?

Sherry Lauderback - *TriMas Corp. - VP, IR and Communications*

Those that have given their name I will introduce. Next is Scott Graham with Jefferies.

Sherry Lauderback - *TriMas Corp. - VP, IR and Communications*

Thank you very much.

Scott Graham - *Jefferies & Company - Analyst*

Good morning and congratulations. Very nice to see this. Really makes the TriMas business a lot easier on -- for people to understand, and certainly with Mark at the helm of Cequent, good future for there. So really just congratulations from me.

I do have a couple of questions, and I'm not going to ask about capital allocation because I know you're not prepared to do that. You made a comment, Dave, about the stress of the corporate. You know, when I'm looking at the corporate, I'm assuming that it kind of goes pro rata with the sales of the businesses. A), can you give me a feeling as to whether that is in the ballpark, and B), when you were talking about stress, are you saying that there is more than the $20 million that you cite here in the press release that could be sort of stress costs on corporate?

Dave Wathen - *TriMas Corp. - President & CEO*

To the second question about more than $20 million, unlikely. I think it would be small numbers. Nothing like that. The stress on headquarters is what I just tried to -- it's some things go on payroll, for example, and it makes sense for under a services agreement the folks in this building will handle payroll for the Corporation to sell that service to Cequent for a period and then let Cequent decide, let Mark decide.

Other things like SEC filings and tax filings and that sort of thing, this transaction doubles that up. And so, how we do those and get them done is really the stress I'm talking about. And we are already working on how to go about that. And all I can tell you is that I'd rather admit it to ourselves and everybody upfront that it's a lot of work, and we're going to have to sort out and do it and be efficient at it. And if we need advisor help and that sort of thing, we'll get it because we don't dare mess that stuff up. But I think you know you've seen these things before.

Some of it is just continuing, and it's what you said. At the end game, once they are completely split, the services agreement is gone, yes, the Corporation kind of splits along with costs; it is kind of split along the line of the businesses. (multiple speakers) It's the transition time that's messy.

But it's -- it's only fair -- I am very interested in this working very, very well. And since I have the levers on what do we do in TriMas, we're going to do transition services that give the Cequent team a good solid headstart without getting distracted by some of these things that we can do here.

Scott Graham - *Jefferies & Company - Analyst*

Got it. My other question was from Mark. Is Mark still on the line?

Mark Zeffiro - *TriMas Corp. - EVP & CFO*

Yes, I am.

Scott Graham - *Jefferies & Company - Analyst*

Great. Mark, so the strategic aspirations, particularly topline growth with TriMas, have always been sort of that upper single digit level. The Cequent businesses -- the end market demand, call it auto and light truck build, a little bit below that on a global basis. Are you going to stick with -- do you see sticking with the TriMas goal? Because that would seem to be kind of hard to get to. Or are you just trying to understand the dynamics of global production and then maybe, say, a couple of points better than that?

Do you have any thoughts on that?

Mark Zeffiro - *TriMas Corp. - EVP & CFO*

That's a great question, Scott. I think Dave kind of addressed that a little bit in the discussion around what makes these two businesses differently. We're not at a point where we'll talk about strategic aspirations for Cequent yet, but once we've actually spun and gone public, that will end up being part of our communication. This isn't any different than what Cequent was doing historically in terms of penetrating global markets.

The third page of my presentation really gave a sense as to where we are going to focus our time to get us not just to GDP US growth but more aligned with global GDP growth.

Scott Graham - *Jefferies & Company - Analyst*

Got it. Well, again, congratulations, all. Thanks.

Operator

Walter Liptak, Global Hunter.

Walter Liptak - *Global Hunter Securities, LLC - Analyst*

Congratulations. You know, I guess I'll hold off on -- but on the capital allocation question as well, but I wonder if I could just ask philosophically, it sounds like you want to continue growing both of these. And so the debt would -- it sounds like it would be split evenly. Am I thinking about that right?

Dave Wathen - *TriMas Corp. - President & CEO*

Bob, do you want to --?

Bob Zalupski - *TriMas Corp. - VP, Finance, Corporate Development & Treasurer*

I think as part of the spin transaction, Walt, there is -- part of the tax-free nature of the transaction is the basis that exists for the entity being spun.

So, what we will do is we finalized that basis. We will look to capitalize Cequent in a way that not only provides it with sufficient liquidity for its operating needs, but also provides benefit to existing TriMas in terms of the dividend that ultimately is used to pay down debt or for other capital allocation purposes.

Walter Liptak - *Global Hunter Securities, LLC - Analyst*

Okay. Got it. And I wonder if we can get some idea about depreciation and amortization and how much is currently allocated to core TriMas and Cequent?

Paul Swart - *TriMas Corp. - Controller & Chief Accounting Officer*

Walt, this is Paul. I would tell you that if we you look in our historical 10-K and 10-Q filings, we do give depreciation and amortization by segment. I would say at this point we're talking about the two Cequent segments that are the ones that are being spun, so I think that would be a real good proxy for you.

Walter Liptak - *Global Hunter Securities, LLC - Analyst*

Okay. All right. Sounds good. And I wanted to ask about the $20 million of fees and charges and just get some clarity on what those are. I assume that a lot of that is legal and consulting fees. Is that correct?

Dave Wathen - *TriMas Corp. - President & CEO*

You are right. It's what you would expect. There is tax work to be done. There's legal work to be done. There is banking -- banking work to be done. There is audit work to be done. And, you know, we will negotiate those fees the best we can, but we don't want kid anybody that this does require that kind of help. And we are -- we will -- it will be money spent wisely.

I guess I would assure we take our normal approach to this kind of thing. We will get what we need, and we will be efficient at the way we buy it. And but we do need the help.

Walter Liptak - *Global Hunter Securities, LLC - Analyst*

Okay. And Mark, congratulations to you, and I've wondered about the -- I'm wondering about the global market and just the opportunity to grow the business. Is there a pipeline of acquisitions? Are there things that you can do to accelerate the growth?

Mark Zeffiro - *TriMas Corp. - EVP & CFO*

Dave has supported TriMas investment in the Cequent businesses through a couple of acquisitions over time, Walt. So that's been the footprint for us to get after global opportunities. There are clearly opportunities acquisition in nature, but I would tell you that the organic opportunities are also of primary importance to us as well.

Sherry Lauderback - *TriMas Corp. - VP, IR and Communications*

Okay. All right. Great. Thank you.

Dave Wathen - *TriMas Corp. - President & CEO*

I would add, Walt, I think it's an interesting time for Cequent globally. The US Cequent is the big guy. In Australia Cequent is the big guy. We are high share in the places we've gone after, and there's been quite a bit of industry restructuring and people going out and all that. There is some more of that coming in the world, and sometimes you're better off waiting somebody out rather than acquiring them as they struggle.

So, again, that's my advice. Mark and I kicked that around a lot, and it's not just Mark. Tom and John and Carl all have a lot of opportunity, but it, as you know, is quite different than the rest of TriMas. And so the timing is good also strategically with opportunities in the world. I think they will have an opportunity to really put a track record down at Cequent.

Walter Liptak - *Global Hunter Securities, LLC - Analyst*

All right. Thank you. DeForest Hinman, Walthausen & Co.

DeForest Hinman - *Walthausen & Co. - Analyst*

Appreciate the detail in the appendix. But can you give a little bit more color on your thoughts around the corporate expense and not the corporate expense tied to the spend, but on a separated company basis, what type of costs you think you need to run each one of these businesses as separate entities?

Dave Wathen - *TriMas Corp. - President & CEO*

We have certainly looked at that and what it takes, and as what do we look like -- of course, with the transition services agreement in place, it makes those ratios look unusual for through 2016. So we've looked at it into 2016 and 2017. Round one.

We're not -- I'm not ready to give you percentages and that sort of things. I do look at it in ratios to revenues and ratios to operating income and savings opportunities and all that. So I guess I'm just going to have to ask you to stay tuned on that. I don't want to get -- I'll say stay tuned. We owe that to you. But I wanted to settle out a little better as we see what the effect of the services agreement proved to be.

Operator

Samuel Eisner, Goldman Sachs.

Samuel Eisner - *Goldman Sachs - Analyst*

Just wanted to go back, Dave, you are making some comments regarding the timing of the spin, and perhaps the two of you can talk a bit about in particular the US market and what your expectations are for US automotive sales? I think we are nearing prior peaks, and that's effectively two-thirds or 70% of the Cequent business going forward. So how should we think about it in the context of the timing of this announcement?

Dave Wathen - *TriMas Corp. - President & CEO*

One modifier to that. We -- it definitely is an indicator. Truck build rate, SUV build rate and all that, but in the background of that, it's probably -- closer modeled to construction spending and to some agricultural investment levels and all that sort of thing. Because you get a lot of the heavy duty product goes there, which tends to be more expensive and higher margin and all that.

I think it's -- and Mark kind of leaned into this a little bit in saying the -- thinking about it as a global business, we all know there's parts of the world that also have high growth rates that are starting to do towing, and Asia is in that camp. So I'm not giving you a very precise answer. This -- the timing of this is not really driven by that market cycle. The market -- we know our volumes have continued to climb. We think in the background there continues to be an effect driven by people buying slightly smaller, lighter weight vehicles, and then still wanting to tow something, and so they are having to upgrade the towing equipment. We think that's been good for us because our growth rates have been higher than we had indicated by those build rates. And I'm going to leave it for the Cequent folks to at some point update how they look at that model globally. But I wouldn't call this driven by peak auto rates or any of that kind of thing.

Samuel Eisner - *Goldman Sachs - Analyst*

That's helpful. And then when you think about the two separate businesses and their ability to generate cash, I know that this year you guys have raised your free cash flow guidance as a whole. I was curious what's driving the higher free cash flow for the company as a whole this year. And then when you think about those two separate businesses, how should we think about cash generating potential? I think historically you guys have always talked about kind of Cequent driving a lot of the excess cash flow that was used to invest in the other TriMas business. So how do you think about kind of cash generating potential at the existing or I guess the new TriMas going forward?

Bob Zalupski - *TriMas Corp. - VP, Finance, Corporate Development & Treasurer*

Sam, this is Bob Zalupski, I would tell you that we view the outlook as very positive. One of the differences between the existing TriMas and Cequent is sort of the cyclicality of that working capital build. And in terms of the new TriMas, I think the cash generation capabilities will remain very consistent with what they been historically. It's just that we won't see that seasonal first half build and then strong cash generation in the back. I think it could be more ratable as you go across time in any given period.

Dave Wathen - *TriMas Corp. - President & CEO*

The addition of Allfast is good for cash flow. It tends to be a high cash flow business.

Samuel Eisner - *Goldman Sachs - Analyst*

All right. Great. I'll hop back in queue.

Operator

Matt Koranda, ROTH Capital Partners.

Matt Koranda - *ROTH Capital Partners - Analyst*

Thanks for taking my questions, and a lot have been answered already. But in terms of the timing of the spinoff, can you talk about some of the major milestones that need to happen to complete the transaction by mid-2015 and then maybe discuss some of the factors that could cause that transaction to take a bit longer than expected?

Dave Wathen - *TriMas Corp. - President & CEO*

I'm going to ask -- this is why I'm calling on him. Paul is here, and a lot of it is in his camp.

Paul Swart - *TriMas Corp. - Controller & Chief Accounting Officer*

Sure. So let me give you a little bit of help. So certainly one of the big drivers will be audited statements, both for the existing TriMas, as well as the carveout of Cequent, which will happen obviously in the first quarter. After that, there clearly is a registration statement that will need to be filed to register a new Cequent as a public company and then the ongoing dialogue to get that registration statement effective. Those are the two from a compliance standpoint, the major gating items prior to the effectiveness of the spinoff.

Matt Koranda - *ROTH Capital Partners - Analyst*

Okay. All right. That's helpful. And then the people have discussed free cash flow profiles for the businesses, but I wondered if we could dig in just specifically to capital expenditure profiles for each of the new businesses on a standalone basis. What does it look like? Could you just talk a bit about CapEx needs for each of the new businesses?

Dave Wathen - *TriMas Corp. - President & CEO*

Let me give you a general answer to that. We've got packaging at aerospace, growing because of their markets and actions we take. They are both running at -- I mean their capacity utilization is really high, so we have to add capacity. And whether it be CapEx for new machines and packaging and once in a while new plants like we built a second China plant last year, this past year, or acquisitions like Lion which added three factories, that will continue. And we've always kind of said 3%, 3.5%, sometimes 4% CapEx will be -- packaging will tend to be on the high end of that and so is aerospace. Because of the need for continuing to add capacity and some of the new products, collars and that sort of thing have required CapEx.

Other than that, it will be kind of event driven. We are pushing capacity in our engineered and components businesses. Probably need to add a little there. But they look more like 3% to sales.

For Cequent, the CapEx spending is either new products or I would say new -- it's new products in the sense when there's new vehicles come out, they have to do new tooling for that and configure for it. There's spec improvements like powder coating versus dipping paint and things like that. But most of the -- and that's a 1% or 2% kind of number. The CapEx spending at Cequent, a lot of it has been the new plants that we've put in for cost out. I won't say never again, but the business is in pretty good shape on plant locations currently. And so I think you're looking at a profile of new TriMas continuing to be more along that 4% kind of number.

Mark, jump in if you've got a different number, but it is probably lower in Cequent.

Mark Zeffiro - *TriMas Corp. - EVP & CFO*

Yes, Dave. I think you answered that precisely, and that is the go forward new TriMas will be a higher CapEx consumer than that of Cequent. It doesn't mean that Cequent doesn't have growth opportunities or investment needs, as Dave laid out, but it will be a ratable difference based on already installed capacities and clearly the investment needs in TriMas Corp. for supporting a couple of its key verticals.

Matt Koranda - *ROTH Capital Partners - Analyst*

Great. That's very helpful, guys. Then I'll jump back in queue here.

Operator

(Operator Instructions). Scott Graham, Jefferies.

Scott Graham - *Jefferies & Company - Analyst*

I just wanted to ask a question about the debt. Are you guys able to give us an estimate on what you think the end of year debt will be for the Company?

Bob Zalupski - *TriMas Corp. - VP, Finance, Corporate Development & Treasurer*

Scott, this is Bob. I mean the end of the year that is going to be reasonably consistent with what we disclosed at the time of the Allfast acquisition in terms of leverage being somewhere in the neighborhood of around 3 times.

Scott Graham - *Jefferies & Company - Analyst*

Very good. Thanks a lot.

Operator

(Operator Instructions). And it appears there are no further questions at this time. I'd like to turn the conference back to Mr. Dave Wathen for any final or closing remarks.

Dave Wathen - *TriMas Corp. - President & CEO*

Okay. Thanks, everybody. We appreciate the questions. We know there's more information we need to keep rolling out. I want to make sure we are right before we provide it, so we'll keep on that path. And we appreciate the support, and you know good and well we are all dedicated to continue to drive value here. And we -- I'm convinced this is a nice, nice step. It's kind of a step function improvement improving TriMas.

So thanks all and stay tuned.

Operator

This concludes today's conference. Thank you for your participation.