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PRESENTATION

Operator

Good day, ladies and gentlemen. Thank you for standing by. Welcome to the TriMas first-quarter 2016 earnings conference call. Today's call is being recorded.

I would now like to turn the conference over to Ms. Sheri Lauderback. Please go ahead.

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

Thank you and welcome to the TriMas Corporation first-quarter 2016 earnings call. Participating on the call today are Dave Wathen, TriMas's President and CEO, and Bob Zalupski, our Chief Financial Officer. Dave and Bob will review TriMas's first-quarter 2016 results, as well as provide details on our 2016 outlook. After our prepared remarks, we will open the call up to your questions.

In order to assist with the 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 3415946.

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 forward-looking statement.

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.

I would also like to refer you to the appendix in our press release issued this morning or included as a part of the presentation, which is available on our website for the reconciliations between GAAP and non-GAAP financial measures used during this conference call.

Today the discussion on the call regarding our financial results will be on an excluding special items basis.

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

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

Thanks, Sherry. Good morning and thanks to everyone on this call for your interest in attending to TriMas. As I am sure you have heard from other industrial companies, the word headwinds is descriptive of how our world currently feels. The macro data on the US economy in first quarter is weak. None of us are surprised that first-quarter GDP was only 0.05%, and most forecasters are suggesting another flat 1% to 2% GDP a year for 2016.

Of course, it is not all doom and gloom. We have almost lapped the plunging oil prices, the inventory reductions in aerospace, and the dollar strengthening. Oil prices have climbed some recently such that production activity could pick up in the back half. Still, overall, we manage what is in our control.

As you know, we announced a $15 million financial improvement plan in September, given the current economic environment and, more recently, increased expected savings to $22 million. By these proactive actions, we were able to offset a significant portion of the operating profit loss associated with lower sales levels due to these external headwinds. We will continue to keep after our costs, pursue the bright spots, and ensure that TriMas remains a place where great people want to work and perform.

External challenges significantly impacted our first quarter, particularly in the attorney energy facing markets. First-quarter sales of $203 million reflects the impact of lower oil prices, lower aerospace distributors sales, and unfavorable currency versus a year ago. I believe we have resized and adapted appropriately to these headwinds, and my optimistic side is certainly noticing the oil and currency trends that are improving. Some revenue growth would surely leverage well with our downsized businesses. And we pursued every bright spot that makes sense.

While sales declined year over year, three of our four segments showed improvement on a sequential basis. Packaging revenues increased versus fourth-quarter and versus a year ago with strong operating profit margin of nearly 23%. Energy revenue was 10% higher than Q4 and, while there is more work to do with operating profit margin at 2.4%, the trend line is right. Engineer components revenue was up 16% sequentially. Our oil field engine business is essentially operating as a parked business, and solid performance of the cylinders business led to a solid operating profit margin of 15.3%.

The strong performance in these three segments and lower corporate costs all relative to our expectations for the quarter enabled us to achieve the top end of our Q1 EPS guidance range with $0.27, despite lower than expected sales and profitability levels in our aerospace segment.

I would like to take a few moments to address our aerospace performance during the quarter. As previously discussed, our two larger distribution customers began lowering their inventory levels during the second quarter of 2015. Given the higher margin level of many of these products, we expected Q1 sales and profitability to be impacted as it was during the back half of 2015.

Fortunately, we expect that the year-over-year impact will time out after second quarter.

In addition, the integration of our Q4 acquisition of Parker Hannifin's machining facility in Arizona is behind schedule. While we knew converting a captive cost center to a profit center, pursuing new business would take time. It has proven to be more difficult and expensive than expected. We are working collaboratively with Parker to resolve these challenges and achieve our expected profitability.

Lastly, while the OE build rates remain as expected, we experienced scheduling and production challenges at our monogram facility related to meeting current demand levels. Tom Aepelbacher and team have implemented many positive changes in the factory to address smaller lot sizes and the new supply chain requirements.

Now we are modifying the office processes and scheduling systems to match the factory changes and we have some glitches. Manufacturing throughput suffered, and we did not meet our production goals. As a result, OE revenue and margin in Q1 declined rather than growing with the build rates.

The good news is that this is all within our control, and we have plans in place with many actions already taken to remedy the situation. We are now completing the upgrades of our ERP system to provide enhanced data to assist us going forward.

As you would expect, I have had a deep dive into all this with Tom and his team, and the actions to get performance on track are underway.

We have three specific recovery teams: one dedicated to closing out the systems and scheduling challenges, another team focused on the Arizona facility integration project, and the third team is working on increasing OE production throughput. We expect healthy improvement to the rest of 2016.

Slide 5 describes the headwinds and tailwinds we are seeing. They remain consistent, so I will just comment on the new trends and changes we are seeing in 2016. Oil prices have increased enough such that engine and compressor quoting activity is encouraging, although so far, it is just quotes and not orders. We have not yet lapped the downturn in aerospace distributor orders, but at least the order rate seem stables at these lower levels. And exchange rates appear to have stabilized such that we only had approximately $2 million of negative revenue impact in Q1. Just like headwinds, our list of tailwinds is similar to a quarter ago. So, as you expect from us, we keep after the bright spots, we mitigate the risks, and capture every opportunity that we can.

Now I will turn to slide 6 and update on our key business initiatives, focused on improving performance in each of our businesses. Packaging is now fully utilizing the India tech center to accelerate new product development for customers who are pursuing new market growth. New product programs are scheduled throughout 2016.

The operating team in this business continues to fine-tune what products are produced where for cost out and supply chain speed.

The Q1 margin and cost metrics in our energy business indicate sequential progress in our broad restructuring actions, and the new Reynosa, Mexico plant continues to ramp well. Our make versus buy and pricing optimization projects are showing more upside than originally predicted where we kicked off our restructuring and business improvement program in this business.

I am also glad to be able to announce a new president for the segment, Marc Roberts. With his strong operational background and process improvement skills, I am confident this experienced manufacturing executive will continue to move our energy segment forward into the future. Marc will report to me, and I am counting on him to accelerate implementation of our improvement actions.

Engineered components is, of course, two businesses. Our Tulsa-based oil and gas equipment business continues to achieve breakeven results on low revenue and is poised for any upturn.

Our sorter business is performing well. Plus, the team in Texas is installing additional fabricator equipment that reduces cost in current production, plus provides capacity for future growth and lower costs.

And we already discussed the key areas of focus in aerospace. Overall, I believe we are thoughtfully allocating resources and capital. We're balancing our goals of margin enhancement and profitable growth.

I will provide an update on our guidance, but first Bob will provide a more detailed look at our financial and segment results. Bob?

Bob Zalupski - *TriMas Corp. - CFO*

Thanks, Dave. I will begin my comments by providing a brief summary of our first-quarter results beginning on slide 8.

We reported first-quarter sales of $203 million, a decrease of 9.5% compared to first-quarter 2015. As Dave noted, we experienced significant top-line pressure during the quarter with the two primary drivers being a sales decline of $14 million due to the impact of continued low oil prices in our energy facing businesses and an $8 million reduction in our organic sales to OE and distributor customers within aerospace. These declines, along with approximately $2 million of unfavorable currency exchange, more than offset organic growth in packaging and approximately $3 million of sales growth from acquisitions.

As a result of these sales declines and related lower fixed costs absorption, operating profit for the quarter was $22 million or 10.8% of sales, representing a 60 basis point decline compared to Q1 2015. The margin decline in aerospace more than offset the year-over-year margin improvements in packaging and engineered components, as well as savings related to our financial improvement plan and lower corporate spend.

With the exception of aerospace, each of our businesses performed at or above our expectations in the quarter. We reported a first-quarter diluted EPS of $0.27 per share, which was at the top end of our previously provided Q1 outlook range.

Q1 2015 free cash flow was a use of $5.9 million. While lower than expected, we remain committed to our full-year free cash flow guidance range of $60 million to $70 million. We ended the year with approximately $438 million in total debt, a 34% reduction compared to $663 million a year ago. We used the cash distribution from Horizon Global in connection with the spin transaction to reduce outstanding borrowings. Our leverage ratio was 3.05 times at March 31, and we had approximately $90 million of cash in aggregate availability under our credit facilities.

Moving on to slide 9, we prepared a bridge slide which illustrates the factors impacting our Q1 2016 earnings results as compared to the prior year. As you can see, the cost savings realized from our financial improvement plan, as well as some of the pre-cost saving actions taken in our oil field engine business, essentially offset the impacts of the year-over-year revenue decline discussed previously. As Dave noted earlier, we are aggressively executing on the plans to remedy the short-term production and integration inefficiencies in aerospace and expect to see progressive improvement beginning in the second quarter.

Reduced corporate spend, as well as lower interest, tax, and other expense, also benefited the current quarter.

At this point, I would like to shift gears and share a few comments on our first-quarter segment performance, beginning with packaging on slide 11. Packaging's first-quarter sales increased 1.5%, and sales to each of our key end markets, which include industrial, food and beverage, and health, beauty, and home care, increased organically, more than offsetting the $1.4 million impact of unfavorable currency exchange. Packaging reported a Q1 operating profit margin of nearly 23%, due to the higher sales levels and ongoing productivity and cost reduction actions, which offset its investments in global capabilities. We believe packaging will continue to achieve its targeted margin range of 22% to 24%, while funding ongoing initiatives such as the new customer innovation center in India and the ramp-up of lower-cost manufacturing capacity.

Turning to slide 12, aerospace. As Dave already noted, first-quarter sales and operating profit in aerospace overall were significantly lower than expected. That said, Q1 sales to our larger distribution customers were pretty much as expected, but did decline approximately $4.6 million compared to the prior year as certain customers continued their planned inventory reductions, which began during Q2 2015.

The decline in OE-related sales due to manufacturing inefficiencies and production constraints was approximately $3.6 million. These sales decreases were partially offset by approximately $3 million of sales related to the November 2015 acquisition of the Parker Hannifin machine components facility.

Compared to the prior year, Q1 operating profits margin declined to 8.7%, primarily due to lower fixed cost absorption and operating leverage due to the reduced sales volumes, higher costs associated with the aforementioned manufacturing and production scheduling inefficiencies, higher integration costs and operating costs related to integrating the Parker Hannifin facility with that of Martinic, and a less favorable product sales mix as a result of lower levels of higher margin distributor revenue.

As Dave noted, we are executing on our recovery plans and are focused on improving aerospace margins back to the originally planned levels over the next two quarters. We will continue to leverage our aerospace platform to better serve customers and develop and qualify additional highly engineered products for aerospace applications.

Moving on to slide 13, energy. Sales in energy declined 12.5% compared to the year ago period, as we experienced continued low demand from upstream customers, lower sales from international branches closed as part of the restructuring, and the impact of unfavorable currency exchange. Energy operating profit and the related margin declined year over year as the margin impact of this sales decline and lower fixed cost absorption were only partially offset by the cost savings related to our restructuring efforts. We did, however, see improvement as compared to fourth-quarter results.

We have been focused on reducing the fixed and variable cost structure of this business by consolidating facilities, starting up a new lower-cost manufacturing facility in Reynosa, Mexico, and adding experienced resources to the leadership team, including Marc Roberts, the new President of Lamons announced today.

We have also launched global sourcing and inventory planning initiatives, focused on lowering product costs and reducing investment in inventory.

Moving on to slide 14, engineered components. As already discussed, we are facing significant headwinds as a result of lower oil prices, which dramatically impact the results of Arrow Engine. With a Q1 year-over-year sales decline of nearly $8.5 million, Arrow's management team has aligned Arrow's cost structure with the current level of business activity to remain approximately breakeven during the quarter.

The other business in this segment, Norris Cylinder, was down approximately $2 million in sales, due to weakness in industrial end markets and lower export sales. Operating profit declined primarily due to lower sales. However, operating margin increased 280 basis points due to our cost savings initiatives and productivity improvements.

Our focus remains on aggressively managing the cost structure in each of these businesses in response to end market demand.

Slide 15 provides a summary of our segment performance, which compares current year, prior year, and sequential quarterly results. It is evident that top-line pressures continued in the majority of our segments when you compare our sales results to first quarter of 2015.

By the end of the second quarter, we will have lapped the majority of the year-over-year impact of two certificate headwinds, lower oil prices and aerospace distributor inventory reductions, and our underlying business performance should become more visible.

On a sequential basis, you can see some improvement in sales levels in three out of four segments. We have taken actions to hold and improve margins, but much of the benefit to operating profitability is masked by the impact of year-over-year revenue decline related to lower oil prices and lower aerospace distributor sales. With the exception of aerospace, each of our businesses have performed at or above our expectations to date. So while there are some positives to report as we begin the year, there is clearly more work to do in certain areas.

Turning to slide 17, which provides an updated view of our 2016 revenue growth and margin expectations by segment. The majority of this slide is consistent with the information presented in February. The only exception is in the aerospace segment, given the Q1 results already discussed. Progressing through 2016, we expect aerospace revenues to increase, given consistent build rates and the full-year impact of the Parker Hannifin facility acquisition. Given the impact of near-term production and integration costs and inefficiencies that reduce Q1 sales and profitability, we currently believe our full-year margin level will be lower than originally expected.

However, successful execution and improvement plans in place will result in increase in operating margins in each of the next two quarters and will allow us to achieve our original 2016 targeted operating profit range of 18% to 20% in the second half of the year.

In summary, I believe we have sized our business cost structures consistent with the current economic environment, and we will begin to experience better operating leverage and fixed cost absorption going forward. Of course, as we move through the remainder of 2016, we will update you on progress relative to our improvement actions or other matters that may impact our expectations.

At this point, I will turn the call back over to Dave to discuss our total Company 2016 outlook. Dave?

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

Thanks, Bob. I will now provide some additional comment on outlook, starting with slide 18.

I have included some commentary supporting the drivers of ongoing quarterly earnings expansion in 2016. While Q1 performance was at the high end of the guidance we have provided, we are expecting increases in sales earning levels as we move through 2016.

In packaging, we are working with our major customers on their planned new product introductions that are expected to launch throughout the year, providing incremental sales and profit.

Our aerospace OE backlog is strong, and we are diligently working on improving our processes to achieve the expected sales and profitability levels. This, combined with the execution of the margin improvement plans, should result in back half aerospace margins in the high teens as originally planned.

And we have some bright spots, too. We didn't acquire the Tolleson, Arizona facility for Parker Hannifin to leave it as is. We are already successfully producing prototype sample parks for other aerospace customers, so it is likely we will be able to take plant utilization up as time goes on.

Energy is all about leveraging our lower fixed cost structure and further realizing the benefits of our process improvement projects, ranging from plant consolidations to sourcing initiatives to low-cost plant ramp-up to pricing actions.

We are not counting on any market upsides in our cylinders or engine businesses in engineered components, just continued tight cost control and productivity to maintain our strong segment margin. Overall, we expect to execution of these initiatives to result in expanded sales and earnings in future quarters, while recognizing that Q4 has historically been a lower sales quarter.

Moving to slide 19, we are reaffirming our full-year 2016 outlook we provided during our last earnings call. We are still running, based on near flat industrial markets, currency fairly stable as is, and no pickup in oil-related activities.

All this, combined with growth in packaging and aerospace, will resolve to basically flat sales for 2016 versus 2015. We expect EPS in the range of $1.35 to $1.45 per share for 2016 thanks to our already implemented financial improvement plan, productivity projects in all businesses, and broad-based restructuring actions in our energy segments.

There are certainly external trends that could impact revenue and earnings. Most noticeably, oil prices climbing more. But you know our business model: improve what we can, particularly our costs, and be prepared to react to external events when they do occur. Free cash flow outlook remains at $60 million to $70 million for 2016.

My summary is our playbook. You know I am a proponent of consistent, straightforward messaging, both internally and externally. We will adapt as risks and opportunities occur and stay focused on execution in the areas within our control. We are concentrating on growing our packaging and aerospace platforms with near-term focus on improving our aerospace and energy profits and margins. Cash flow and productivity are underlying requirements of our success and improvement.

Second quarter is our annual strategic planning period and board reviews, and we continue to look for ways to drive a return on capital and shareholder value.

Thank you and we will now gladly take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Andy Casey, Wells Fargo Securities.

Andy Casey - *Wells Fargo Securities - Analyst*

A couple questions. First, your comment about lower margin expectations for 2016, are you looking at roughly 12% to 14% versus prior 13% to 15%?

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

Help us a little, Andy. We did suggest because of the math of first quarter that aerospace won't be -- we are not likely to be at 18% to 20%. We are likely to be a little lower. I think that is the only real comment we made about margin expectations.

Andy Casey - *Wells Fargo Securities - Analyst*

Okay. I will take that off line with Sherry. (multiple speakers).

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

Yes.

Andy Casey - *Wells Fargo Securities - Analyst*

Okay. And then, on the guidance, Dave, the net effect of the aerospace margin reduction and the modest energy margin increase, it looks like an approximate [3 to 6] time hit to the 2016 earnings. I know it is kind of small in the scope of your overall guidance for 2016, but can you explain the decision to maintain the guidance?

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

Yes. I think notwithstanding the shortfall in aerospace in Q1, we were still able to achieve the top end of the guidance range. And, obviously, as we move through the remainder of the year, there is a lot of variables there that we need to -- those that are within our control, i.e. execution of the aerospace recovery plan, we need to execute on, and then obviously we need to see the top line and packaging continue to grow as we expect -- as we move through the year.

So I think when you look at those factors in combination, we believe we are still within the guidance range that we have set for the full year.

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

Yes. There are things that go our way that we probably don't really spell out, but we all know steel prices are surprisingly low and seem to be staying there and we can buy forward. Resin prices risen are doing a lot of the same sort of thing. So we have got a lot. There are -- I say it over and over. There is risk in opportunities. We really try to get the opportunities locked in.

So your math is right, but we are also finding other background items to offset. You pay us to do it. That is what we do.

Andy Casey - *Wells Fargo Securities - Analyst*

Sure. Sure. And the comment about the work with Parker Hannifin, would there be any compensation that is not included in the margin at this point that could (multiple speakers)?

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

No. (multiple speakers). No. They are our customer. We will get things where we need them to be ourselves.

Andy Casey - *Wells Fargo Securities - Analyst*

Okay. And then, lastly, last quarter you gave a little color around customer stress in energy-related markets. Have you seen any improvement in that, or is there actually increased stress?

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

There is a little improvement. You might underline a little, but there is some turnaround activity in the Midwest. I was just in Houston Monday, introducing Marc Roberts and talked with everybody. There is turnaround activity. There are some big projects that are continuing to flow that are good for us. I mean, I wouldn't want to say it is back to good times. It is just, there is some turnaround activity occurring, and there is a handful of big projects that tends to give us a few million dollars worth of volume. It is not like the years where we had 10 of those, but with those qualifications, yes, there is a little bit of a pickup.

Bob Zalupski - *TriMas Corp. - CFO*

Andy, also, relative to, I think, your question around maybe customer financial stability, we haven't seen any further deterioration in the risks related to accounts receivable or customers filing bankruptcy or anything of that nature. So our reserve levels are, we believe, very appropriate, given the current economic environment, and we will continue to monitor it very closely.

Operator

Karen Lau, Deutsche Bank.

Karen Lau - *Deutsche Bank - Analyst*

Can we start with Parker? Dave, can you give us more color exactly what -- what exactly were the differences versus expectation, and what is causing the challenges in integration with regard to the Parker transaction?

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

It really was a cost center internal to a manufacturing organization that in a day switched to being a profit center. As it worked out, very few people within the organization knew that. That caused some handoff problems with everything from ordering castings to scheduling to when do the prices change, if they are going to change, and all that. And it just has taken on -- and all I can say, it has taken us longer than we had originally anticipated. There is no fundamental problem. It is just proving to be a little more difficult transition than we anticipated.

The model is still the same. It is a plant with lots of excess capacity, good equipment -- very good equipment -- greater people, and, of course, our intention is to sell those same kinds of products to other customers and utilize the facility a lot more. It was never going to be just as is. But, of course, we have got to get it running right as is to start. We have got to get that right before we can make a decision to take on new customers.

Karen Lau - *Deutsche Bank - Analyst*

Got it. Maybe shifting gear to the OE side of aerospace. I was just curious, so part of the disruption with the distributors was because Boeing and the OEs trying to order direct and bypassing the distributors. I guess there are recently more stories about Boeing trying to cut costs further. I was just curious, are you noticing any more pricing pressure on the OE side?

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

I wouldn't call it more. There has been pretty intense pricing pressure really for the -- I would almost say the last couple of years. We think they kind of started some of that, what they are partnering for success with fasteners. And so we have had that pricing pressure coming at us.

Also, there is a lot of news about them doing layoffs and things like that. But that is -- none of that has really affected the build rates. And so all that is pretty strong. And, of course, our pricing with the OEs is long-term kind of pricing. And so, yes, there is a lot of talk about price and our margins being high and all that kind of thing, but I think we have absorbed it.

Bob Zalupski - *TriMas Corp. - CFO*

I think you will see, Karen, as we move through time, whether it is new LTAs or new products that we qualify, in order to work on that, the pricing pressure will be continued or will continue.

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

Which just keeps the heat on us to get productivity and cost out.

Karen Lau - *Deutsche Bank - Analyst*

Got it. And then, just lastly on the oil and gas side. Can you remind us in terms of the sensitivity of aerospace results to oil and gas, are they more tied to the drilling side of things so more tied to rig counts, or are they more tied to well completion and production? And maybe you can comment the same on how much of the energy segment is exposed to upstream oil and gas and the sensitivity through drilling and production as well.

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

Okay. The Tulsa aerospace engine and compressor business is, of course, substantially an oil and gas field equipment business. Rig count models well with our volume, but it is not -- it is really how many wells are put into production. Because everybody has heard, there is a lot of wells out there now that are capped. They are just leaving them sit because of the prices. There is plenty of opinions, the one that -- of course, our people in Tulsa live and breathe this stuff. They feel like at about $50, some of those wells start turning back. They go ahead and equip them and turn on. That is when we will see an impact. It doesn't really take rig count. It takes the decision by an upstream producer to turn on wells that are sitting stagnant. There is plenty of those for now.

The energy segment, the Lamons business out of Houston, is partially upstream.

Bob Zalupski - *TriMas Corp. - CFO*

15% to 20% of (multiple speakers).

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

Yes. 15% to 20% of it is upstream related. May not even be that much right now.

Bob Zalupski - *TriMas Corp. - CFO*

Well, no. (multiple speakers)

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

We would expect that.

Karen Lau - *Deutsche Bank - Analyst*

Okay. And that is also more tied to production than drilling?

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

That is really production. That is what is flowing through -- what is flowing rather than anything else.

Operator

Bhupender Bohra, Jefferies.

Bhupender Bohra - *Jefferies - Analyst*

So my question is revolving around the pricing (inaudible) in packaging and your in the business. I believe in the prior quarters you had talked about pricing past your risk, and if you can update us how that is progressing as we are seeing kind of resin prices maybe lower here.

Bob Zalupski - *TriMas Corp. - CFO*

I think resin prices are still low and, again, most of our significant supply contracts, there is pass-through mechanisms that also get considered as we look at supplying our customers. So, in general, I don't know that resin has materially changed or impacted results in the current quarter.

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

Over a period of time, resin prices dropped. Our selling prices tend to go with it. We see a little less revenue, we tend to hold margin, and that is really what you can count on in that business.

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

And then north.

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

The specialty steel prices are -- it would be pretty mean to be in the steel business right now.

Bhupender Bohra - *Jefferies - Analyst*

Right.

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

The prices are low, and the terms and conditions are -- they are hungry for orders up into the future. And so you see the margins in that business, and some of it is reflecting the lower steel costs.

Bob Zalupski - *TriMas Corp. - CFO*

Yes. And then, to that point, in the current year, we do have a contract with certain of our customers where, in essence, they recognize steel prices are at lows and have looked for some price reductions accordingly. If I had to couch it for the full year, we are probably talking 1.5% or so over the course of the year.

Bhupender Bohra - *Jefferies - Analyst*

Okay. And just wanted to talk about your free cash flow. If you can give us some color on the M&A pipeline, what you're thinking about how you want to deploy your cash -- free cash, which is about $60 million to $70 million for this year. And, Dave, can you update us on your dividend policy, what you're thinking about that, and how the board is thinking about that going forward? Thank you.

Bob Zalupski - *TriMas Corp. - CFO*

Well, from a free cash flow standpoint, first quarter was lower than we expected, as I noted, but we do expect to see increases in free cash flow as we move through the remainder of the year.

Relative to acquisition pipeline, it is really a function of what targets or potential targets are available at a point in time and how strategic or not they are. What is the relative multiple? What is the process that is involved? And so obviously, time-dependent and facts and circumstances based.

Relative to dividends, Dave, you may want to comment.

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

I mean, that is -- I purposely mentioned that second quarter is when we developed strategic plans in each business. We look at overall options for TriMas. What to do with what money we are generating. Highest return on capital -- capital allocation. All those things. And we go to the board with it.

And I have mentioned in the past that we have started to -- dividend policy is on that list of options, whereas a few years ago, I kind of would have had to say we are not really thinking about it. That said, it is probably lower probability than other methods like buying stock back, if that made sense.

I happen to think there are acquisitions that make a lot of sense. Some acquisitions, the multiples are just so high because everybody is so hungry for growth. But there are some that, for whatever reason, in spite of that, are very -- can be very accretive, and so we are really keeping after those.

Like Bob says, it is always somewhat opportunistic. You could tell, I would rather find nicely accretive acquisitions right now.

Operator

Steve Tusa, JPMorgan.

Steve Tusa - *JPMorgan - Analyst*

Are there any incremental -- anything incremental from a restructuring perspective in the pipeline?

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

Well, I think as you look at energy, clearly while we are in the what I will call the home stretch of completing the restructuring, we do expect there to be some incremental costs in the second quarter, and then those will taper off over the remainder of the year.

Beyond that, a little bit of integration related to obviously the costs associated with certain of the footprint restructurings, but beyond that not so much. I think it is pretty much complete in terms of the one-time cost, and we are seeing the requisite savings there as well.

Steve Tusa - *JPMorgan - Analyst*

And then, on the packaging side, a bit of acceleration in the back part of the year. Is the high-end now a little bit of a stretch, or are there other things that are going to come through here in the second half to accelerate that growth?

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

If every customer program comes through as scheduled, it looks mighty strong. The qualifier there is the programs are in customers' hands. But we have multiple customer programs, multiple new product launches, so you do get a little bit an average effect from that, that when somebody delays one, it doesn't -- we have learned to model that pretty well. So I am pretty optimistic about growth in packaging as are the -- as is the team there.

Steve Tusa - *JPMorgan - Analyst*

Okay. And then just one last one in aerospace. The commentary that you put together is, this is really -- a lot of this is internal, blocking and tackling here. There really is nothing from a customer perspective that you have to worry about longer-term that represents more of a secular challenge to you guys being an effective supplier going forward with a commensurate and attractive margin?

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

You always have to worry about -- you always have to worry. With that said, the build rates remain what they have predicted them to be. The ongoing conversion to covered fiber construction continues. All that seems to be on track. There seems to be -- there is a little bit -- you can look at any of the modeling of build rates, and it shows 2016 only up a few percent and then an acceleration in 2017. You have kind of got to say, we will see as we get a little closer to that. But there is nothing going, and the things that we are dropping out, like what was that huge freighter military thing -- C-17 or whatever? Some of the fighter planes stopped. That has already dropped off. So we don't see any of those things working out there that are causing us a problem. I mean, it is a remarkably strong market.

Bob Zalupski - *TriMas Corp. - CFO*

And the other comment I would make, Steve, I mean, I think you are getting at disappointing the customer or not disappointing the customer, I guess more pointedly. And part of the higher costs that we incur, it is in order to continue to meet our ship schedules and the like so that we don't disappoint.

That said, I think as we work through that -- these issues over the next couple of quarters, I would envision us being right back where we have always been with our customers in terms of on-time delivery and the like.

Steve Tusa - *JPMorgan - Analyst*

Yes. I guess my question is more about, are the customers being more demanding. I mean, are they -- you would have thought a couple of years ago you had to have seen a nice build schedule in front of you. You are seeing all these orders come in and you are saying, well, wow, look at this volume we are going to get, but are they coming back to you and trying to renegotiate around whatever? Not necessarily just price, but delivery and terms in saying, look, we are giving you all this volume so here is what you owe us for that. Are they -- it just seems like there is a lot of -- there is a mosaic out there of Airbus and Boeing kind of throwing their weight around and using this big backlog as a bit of a hammer on their suppliers. And I am just curious, as you guys are one of the smaller suppliers out there, if you guys are kind of seeing that hammer at all? That was kind of more my question.

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

We have seen a lot of that hammer already.

Steve Tusa - *JPMorgan - Analyst*

Okay.

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

You are exactly right. But, again, they kind of got -- fasteners were early in the partnering for success programs and everything that rolled out in that.

Steve Tusa - *JPMorgan - Analyst*

Okay.

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

We are still -- obviously, for first quarter, we are still learning how to run the smaller (inaudible) the demanding. But I wouldn't say that has changed. We have done a lot of it by brute force in the factories.

Now we are automating our scheduling systems and redoing how we handle orders and acknowledge and all that. I can't tell you how many -- I call that -- everybody blames it on systems. That is a little unfair. But I can't tell you how many times I have been through this in my career. But you start to try to get everything lined absolutely up smoothly in the office processes and it is easy to have glitches. This is our fault, though. This isn't the customer's fault. But it is fixable stuff.

Operator

Gautam Khanna, Cowen and Company.

Gautam Khanna - *Cowen and Company - Analyst*

I was wondering if you could maybe opine on how far along you think the Boeing basin rollout is? Are there a number of suppliers still to be added, or if you could maybe in percentage terms, how much more do you think there is to go?

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

I would say, for us, it is rollout. For fastener suppliers, it is rollout. You are seeing stuff about them putting themselves into the distribution of aftermarket parts business. There could be some impact, although, again, that is what kicked off this destocking by the distributors and that kind of thing. That is our industry. I think the action by basin and all that is occurring amongst other, you could say, more complex systems and parts now. But fasteners, it feels like they have done their work, and we have adapted.

Steve Tusa - *JPMorgan - Analyst*

Okay. So actually, that gets me to the second question, which is, you mentioned the distributors are destocking, and certainly we have seen that with (inaudible) for over a year now. What does that tell you about the aftermarket demand? I mean, do you think Boeing is actually addressing aftermarket demand itself to be the airlines and MROs on the fastener side, or is that independent of your comments?

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

I would say that is independent. I am hesitating because it is a little hard to read. It is a fascinating subject. I am interested in it. And we see some of the -- we call them smaller distributors capturing volume that they didn't used to have. So there is a lot of turmoil going on to the -- that makes it harder to read about who is winning. I wish I could help you more than that. I think we are going to see churn in the industry in the distribution channel for a while yet.

Steve Tusa - *JPMorgan - Analyst*

Okay. And just the move to smaller lot sizes, is that a very recent phenomenon? And, if that is here to stay, what is driving that?

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

Remember, they switched to smaller lot sizes was us stocking lines directly instead of having a 3PL between us and Boeing. That is that straightforward, and that started over a year ago.

Steve Tusa - *JPMorgan - Analyst*

Okay. Basin started in 2012, so I'm just curious as to why the smaller lot sizes only started recently.

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

The lot size -- remember, this is them changing their delivery channel, their supply chain channel, and instead of having a 3PL between manufacturers and their lines, expecting the manufacturers to stock the lines directly.

Steve Tusa - *JPMorgan - Analyst*

Okay. Got it. So you are not just sending to new breed any more. You are sending directly to (multiple speakers) and whoever else.

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

Yes.

Steve Tusa - *JPMorgan - Analyst*

Okay. I see what you are saying. Thank you. That is very helpful.

Operator

(Operator Instructions) Samuel Eisner, Goldman Sachs.

Samuel Eisner - *Goldman Sachs - Analyst*

I know everybody is talking about aero, and I just wanted to ask a few housekeeping questions on that. Are the margins back to your guidance range in April? Basically, has the issue been resolved at this point? Does your guidance assume that you will be resolved at some point in the future? I just want to try to get -- I understand that they have already passed this or there is some point in the future that you expect to get past it.

Bob Zalupski - *TriMas Corp. - CFO*

It is going to take a couple of quarters, Sam, to work our way through it fully. And, as I noted in my comments, we would expect in the back half of the year to be at the targeted operating margin range of 18% to 20%.

Samuel Eisner - *Goldman Sachs - Analyst*

And when you are talking about the anticipated share gains, when do those start to occur? Is that in some of the numbers that you reported this quarter? Just want to better understand how that ultimately folds into your expectations.

Bob Zalupski - *TriMas Corp. - CFO*

Are you speaking now specifically to aerospace?

Samuel Eisner - *Goldman Sachs - Analyst*

Yes, sir.

Bob Zalupski - *TriMas Corp. - CFO*

I don't know that we had contemplated significant share gain in the guidance that we put out for aerospace. It was really more about the growth, if you will, from the acquisition and then, what I would just call, on top of that, probably 2%, 3%, 4% relative to build rates and a mix, so to speak.

Samuel Eisner - *Goldman Sachs - Analyst*

The reason why I am asking is that, if I look at your slide, where you talk about your segment assumptions, you do say steady OE build rates and share gains expected to boost top line. So I am just curious if that is already embedded in the numbers that you're reporting today, roughly the $40 million of revenue and the $3.5 million of EBIT?

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

Of course, you're exactly right, and what we are calling share gain is the conversion -- basically, the conversion to aircraft that we tend to have higher share on. So that is more us understanding the math and the build rate by platform and what our content is. So ultimately, that is a share of the fastener market.

Samuel Eisner - *Goldman Sachs - Analyst*

Got it. And last quarter, you guys in your slide presentation discussed 2018 goals. I know they are not in the deck today. One, is that on purpose? And then, two, are there any updates for those 2018 expectations?

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

No updates. We talked about -- do we put that chart in or not if we don't have any kind of an update. So (multiple speakers).

Bob Zalupski - *TriMas Corp. - CFO*

It is a longer-term annual focus that we are talking about there, and certainly we don't look at one quarter and the issues we have experienced in aerospace is indicative of what we would expect over the longer term.

Samuel Eisner - *Goldman Sachs - Analyst*

All right. And then, just lastly on the subject of M&A, I am not going to ask about (inaudible) in the portfolio, but perhaps preparing the portfolio here, when you think about your four main segments, how do you into the question of potential portfolio actions going forward? I guess asking it bluntly, is everything core at this point? If you could answer that, that would be great. Thanks.

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

Of course, there is a forced ranking of what businesses fit the TriMas model. Then we have our board meeting coming up in a couple of weeks. It is all about that kind of thing. So we are in the middle of it, and we have a change that packaging and aerospace are our primary platforms. But we have several other quick businesses, too. So I would say no news at this stage. Stay tuned.

Operator

Walter Liptak, Seaport Global.

Walter Liptak - *Seaport Global - Analyst*

Just want to go back to the pricing in aerospace and ask you about the contracts with Boeing I guess in Airbus as well. Are you on a three-year or five-year contract, and when was the last contract negotiated?

Bob Zalupski - *TriMas Corp. - CFO*

It varies between the two. I want to say five years for both. We just recently entered into an update to the Airbus contract, so that is relatively new and Boeing is probably a couple of years we are into it at this point. But (multiple speakers).

Walter Liptak - *Seaport Global - Analyst*

Okay. And so the pricing pressure that --

Bob Zalupski - *TriMas Corp. - CFO*

And all of our sales are through long-term agreements. So I think where you see price pressure is on those sales that are not subject to LTA.

Walter Liptak - *Seaport Global - Analyst*

Okay. Got it. I also wanted to ask about the free cash flow. Was there some component of cash flow that was weaker than expected this quarter, and what needs to improve to hit guidance in second quarter, back half of the year?

Bob Zalupski - *TriMas Corp. - CFO*

I think it is principally working capital management and energy. While we have talked about still working through some of the, I'll call it, the inventory bulge that resulted from last year's port strikes, it has taken us a little longer than anticipated, given lower end market demand in the energy business. And then, in receivables, in these kinds of economic times, agings extend a little bit longer than you would like. So we've doubled down on efforts, not just in the energy segment, but in our other businesses as well to get our days sales outstanding back in line with where we have been historically.

So those are the two principal drivers within the working capital management that we need to do a better job on and we expect to do so as we move through the year.

Operator

Rudy Hokanson, Barrington.

Rudy Hokanson - *Barrington - Analyst*

Switching over to energy, I just wanted to review the strategy there. I believe one of the key points that you were trying to do was, rather than rely on higher and value-add products, for rather sophisticated refining operations, that you were looking at what it meant for you to be selling -- I don't want to call them lower end, but how you could lower the cost of more commodity type replacement products that may be more in demand given the overall market place than relying on the energy sector continuing to go towards more intense cracking and heavy oils and things like that when the mix in the global market had been headed that way and it started to change in the last two years? Do I have that right? And could you talk a little bit about, again, lowering the cost of the broad range of products rather than relying on specialty value-add products?

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

No, you have got it right. You listen well. Of course, we try to sell both. And -- but the change we really made was more of a -- we decided we are not just going to depend on selling the higher spec products, which tend to be higher margin. And it used to be, we were willing to, I'll say, fulfill orders for the commodity or catalog products, but we will make our money on the specials. That was always the story in the business. I had said I grit my teeth about that, but at some point we have got to get busy on the lower end product.

So much of the restructuring action we have been doing, certainly everything that has to do with make versus buy, closing the plant in Asia, consolidating it, building a plant in Reynosa and moving production into there, that is really all addressing exactly what you are talking about. Going after the lower end, more repeatable, catalog kind of products and getting the costs out such that they become profitable and become a contributor to the business. And we are also working on that we have got several projects underway. Some of them certainly address the higher-end products and pricing models by customer size and all that. But the heavy restructuring and footprint work is really about the commodity products. And so far, so good. We are moving right through it.

Rudy Hokanson - *Barrington - Analyst*

Would you say, then, that where you are in the energy sector is as far as what you can control such as cost per unit or as pretty far along the issue now is much more the volume as the cycles recover?

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

No. We have got a lot of cost work to do. I will give you a couple examples. Bob commented on, we have still got inventory that is backed up from -- and we have cut it in half, but we have still got inventory in the system that, of course, is still (inaudible) costs. There is some of that to work through.

The Reynosa plant is continuing to ramp, but this is a high spec, high -- goes into applications that are intense. I have moved a lot of plants in my career. This is one of those where you go in a very controlled way with approvals and all that when you are moving from one plant to the other. So that is a -- we will still be moving product into lower-cost plants through this whole year. So we have got a long run in front of us of costs coming out that will -- we would intend to continue to show on the bottom line.

So while I think we have got everything laid out, the plants are built, the ones that we need to close are done, we have closed and consolidated some branches. I am obviously saying we have got several quarters yet of ramping those changes to where they really -- we get full benefit. But it is in our control and, again, so far, so good.

Rudy Hokanson - *Barrington - Analyst*

Okay. So the energy sector, it would be appropriate as you have been talking about for the whole company in different ways in each group, going through a transition. The energy group 2016 is definitely a transition, and 2017 will be much more of a volume issue?

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

Yes. I mean, the variable in 2017 -- less of a cost issue in 2017, and it is more about volume.

Operator

(Operator Instructions) Steve Barger, Capital KeyBanc Markets.

Steve Barger - *KeyBanc Capital Markets - Analyst*

Just a couple of quick ones. Dave, staying with the aerospace, you said this was a TriMas issue versus a customer issue on the production side. And I think, Bob, you said it would take a quarter or two to work itself out. I'm just trying to understand what really happened. Is this carrying too much labor through the quarter as the schedule got pushed out, or did you not slow down material purchases fast enough, or what really drove the cost higher?

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

We switched our scheduling systems. We actually exposed our dirty laundry. We actually scheduled some of the wrong product, built it, can't ship it yet, had to jump back in on over time and build products to ship in the quarter. We had -- I called it glitches. That is descriptive as anything. We had genuine scheduling issues, and we have got a strong team there that knows how to address these things.

But as we went through all these changes, a few people decided to retire. Looking back on and doing a postmortem, we had some people decide to retire in December rather than go through all the changes. We, again, made -- I would call it scheduling kind of mistakes that then caused us to throw a lot of extra cost into the factory to make up for the mistakes and get out the door to satisfy the customers. It is always -- in this industry is even more adamant than any other. You don't dare cause a customer problems, so it is an easy decision to throw extra costs in the factories to make sure you meet the customer minimum demands.

Bob Zalupski - *TriMas Corp. - CFO*

And, Steve, in terms of the quarter or two to work through the issues, really, the order book is strong and the demand is growing. We are operating near capacity with our current equipment, and really what we are trying to do is get ahead in terms of component manufacturing so that the assembly of parts that are due in a given month -- the proponents are manufactured, I'll call it, six to eight weeks in front of the scheduled delivery so that we can level out the assembly process and have a much more controlled assembly and ship a schedule -- ratable through the month as opposed to it being backend loaded.

So to do those things, you have got to give it our capacity constraints. You sort of have got to double up currently to get ahead, and then once you are at that point, you are able to have the throughput you need to level load your delivery schedule.

Steve Barger - *KeyBanc Capital Markets - Analyst*

Understood. Did this affect both Monogram and Allfast, or was this more one than the other?

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

More Monogram.

Steve Barger - *KeyBanc Capital Markets - Analyst*

Okay. I read Marc Roberts' bio in the press release, and it looks like his background is more plastics and specialty chemicals. So just 30 seconds on what, in his experience or skill set, you think makes him the right guy for the job?

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

Before recent, which was (inaudible), he was in some automotive supply businesses, lived in Europe running those. So -- and then, before that, he actually worked for Precision Castparts. So he has been in several industries that apply to ours.

It is more that, in my judgment, he is a well-rounded P&L manager that had continued to move up the ladder and actually got -- in my view, got to the point that he gets promoted to run in multiple operations and all that. But a job like ours, which is a true P&L stand-alone, those are rarer all the time, and that is what made it attractive to him.

Now, he has got a surprisingly matched background for our kinds of businesses. And he is also a -- you will meet him. He is also a very structured, processed kind of thinker, and he has got a very inclusive kind of a style, which will fit very well in our style.

Steve Barger - *KeyBanc Capital Markets - Analyst*

Got it.

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

I mean, hiring somebody new is a big thing. We took our time doing this and real happy with where we are at.

Steve Barger - *KeyBanc Capital Markets - Analyst*

Good. And one last one from me. Bob, what is the cash impact from the financial improvement plan this year? What is your estimate?

Bob Zalupski - *TriMas Corp. - CFO*

You mean in terms of the one-time cost or relative to the anticipated savings?

Steve Barger - *KeyBanc Capital Markets - Analyst*

No, no. The one-time cost because I think your free cash flow definition is excluding the cash impact of FIP, right?

Bob Zalupski - *TriMas Corp. - CFO*

Yes. It does exclude the impact of nonrecurring items.

Steve Barger - *KeyBanc Capital Markets - Analyst*

So I'm just trying to see what that number is.

Bob Zalupski - *TriMas Corp. - CFO*

I am going to guess it is a couple million, tops. I mean, the majority of those actions were taken in 2015, Steve, and there were a few things that I will say straddled into first quarter, I would tell you that we are substantially complete. And then, at this juncture, maybe for the rest of the year, we have got a couple million kind of a thing.

Operator

And with no additional time for questions, I would like to go ahead and turn the floor back over to Dave Wathen.

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

Thank you. Hey, we sure appreciate anybody's attention and interest. We have got plenty of work to do here, and you know we are going to keep at it. We owe it to you. I am reasonably optimistic about my view of 2016. Sure wish there was more market strength out there, but there is a whole lot of people like me who will tell you the same thing and at some point you decide, so what, we're going to do our best with what we have got. I think we have a lot of good stuff going on.

I also know that our travel schedule is pretty heavy in the next month or so with meeting quite a few of you face to face. So we are looking forward to that.

Thank you and we will stay in touch.

Operator

Thank you. And, again, ladies and gentlemen, that does conclude today's conference. Thank you all for your participation.