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PRESENTATION

Operator

Good day and welcome to the TriMas first-quarter 2015 earnings conference call. Today's conference is being recorded.

At this time I would like to turn the conference over to Ms. Sherry Lauderback. Please go ahead, ma'am.

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

Thank you; and welcome to the TriMas Corporation's first-quarter 2015 earnings call. Participating on the call today are Dave Wathen, TriMas President and CEO; Bob Zalupski, our Chief Financial Officer; and Mark Zeffiro, the future CEO of Horizon Global. Dave and Bob will review TriMas's first-quarter 2015 results as well as provide details on our 2015 outlook, and Mark will provide an update on the Cequent businesses. 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 website at www.TriMasCorp.com under the Investor section. In addition, a replay of this call will be available later today by calling 888-203-1112, with a replay code of 9996221.

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.

I would like to also refer you to the appendix in our press release issued this morning or included as a part of this 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 excluded special items basis.

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

Dave Wathen - *TriMas Corporation - President, CEO*

Thanks, Sherry. Good morning and thanks to everyone on this call for your interest and attention to TriMas. As we move through 2015 we remain focused on executing a series of transformational improvements for TriMas. While we faced a number of challenges throughout the quarter, we have taken many actions to improve our Company going forward.

As we discussed on our last earnings call, we are working on reorganizations or restructurings in the majority of our businesses, even those which have consistently achieved higher margins. Increasing profit margin remains our focus for 2015. We are focused on controlling everything we can and are improving the areas that we believe will drive value for our customers, shareholders, and employees.

I'll start with some comments on why I view first-quarter 2015 as an encouraging quarter for us and that these results indicate good progress in our priority shift towards growing TriMas's margins. Revenue for the first quarter was up slightly at \$366 million, as acquisition and organic sales-related growth more than offset the effects of low oil prices at Arrow Engine and upstream customers at Lamons as well as unfavorable currency exchange. We also experienced the impact of generally weaker than expected industrial activity in most of the developed world, representing most of our home markets.

We are focused on adapting and adjusting to these external challenges in order to stay on track to achieve our margin improvement targets for 2015. Q1 earnings per share was \$0.41, which is certainly on track with our expectations, despite these external headwinds. Margins improved sequentially in many of our businesses, particularly in Aerospace.

By now I am sure you have heard plenty of comments from many companies about the external headwinds caused by US dollar strength, oil prices, port delays, etc. I would like to provide a more specific view of the headwinds and tailwinds we are seeing and the effects they are having on our businesses, on slide 5.

The oil and commodity price declines hit our Arrow Engines business directly, and we responded quickly with downsizing to match the 40% revenue decline. We are also seeing some secondary effects from CapEx cutbacks affecting refineries as well as upstream activity related to exploratory drilling, both on- and offshore, which impacted our Lamons business.

Another secondary effect is plastic resin price declines causing corresponding product price reductions in Packaging. You can see this in this business's numbers as, while we tend to hold unit volume and margin percentage, we do see reduced revenue. We are seeing similar impacts in our industrial cylinders business, with price declines in specialty steel impacting product pricing and therefore revenue.

Another ongoing trend in both our Aerospace and Cequent Americas segments is distributor consolidation and the resulting impact on inventory levels in channel. For TriMas, this is most evident on the impact in Aerospace, where it's clear that inventory levels in channel have been heavily stocked and that current order patterns are lower than what we expect as longer-term run rates.

Similarly, in Cequent Americas distributor consolidation is significantly impacting the level of traditional seasonal order patterns; and as a result, Cequent has experienced lower demand levels. While these influences all result in some short-term revenue declines, the positive is that in the long term it positions us as the manufacturer closer to the end customer and allows us to compete with speed, rather than price.

On a more positive note, the effects of the West Coast port delays are almost behind us now, as product availability improves and additional incurred costs for expedites and alternate routings dissipate. However, like many US-based multinationals, a strong dollar makes exports from the US less price competitive, while imported products are more competitive; and we continue to deal with slower growth economies in the US, Europe, and emerging markets.

We are dealing with these headwinds prudently and aggressively, and there are some positive tailwinds worth highlighting. The commercial aircraft backlog remains strong, and we see a continued ramp-up of demand for several years. The middle-class growth rates remain attractive in Asia, and our customers who serve them continue to globalize their supply base, which results in profitable growth opportunities to TriMas.

We have also taken actions to create our own tailwinds. Despite our cutbacks at Arrow Engine due to lower levels of oilfield activity, we have maintained our new product emphasis, with two higher horsepower engine launches as we continue to diversify this business to reduce the cyclicity of its core pumpjack engine business. On the overall TriMas cost-out and efficiency front, we have trained 12 more Six Sigma Green Belts for ongoing productivity and have continued to fine-tune our manufacturing footprint for efficiency, with several plant consolidations underway in first quarter.

Now I'll update you on our 2015 key initiatives to drive margin enhancement, optimize capital allocation, and drive profitable growth, listed on slide 6. Packaging has implemented a reorganization of its salesforce to capitalize on the broader product portfolio we have developed over the past few years. This includes training programs, new pricing tactics, designated product specialists, and modified incentive systems.

We are also building out a new technical center in Asia for customer application work. On the cost front, the team at Packaging continues to fine-tune what we build where, to capitalize on our expanding footprint in lower-cost geographies, and to upgrade and commonize manufacturing processes for efficiency.

Energy shows sequential improvement in operating margin in Q1, but has more to do. Our approach to profit improvements in this business includes, one, cost-out; two, vertical integration for cost; and three, increased higher-margin product sales.

Cost-out has the fastest impact, and projects include several branch consolidations, shrinking exposure in Brazil, a new plant in Mexico during the second half of 2015, and fine-tuning our production locations. Vertical integration is in-sourcing where our costs are sufficiently lower to justify the efforts.

We are seeing some early success with our emphasis on selling more higher-margin products. Again, the progress we are seeing as a result of these initiatives is encouraging; however, we have more work to do and expect to see the benefits of these actions to accrue as we progress through the year.

Aerospace has a dual approach: reorganize and upgrade customers' connections, reflecting the broadened product line; and improve manufacturing processes and efficiencies to address the profitability decline experienced in 2014. First-quarter 2015 margin results are encouraging, but there is plenty more to do, with much upside.

Our significant strategic initiative, the planned spinoff of Cequent, remains on track. Slide 7 provides a few updates on this project that ultimately results in two independent publicly traded companies with enhanced strategic focus and flexibility.

We have filed round one of the S-1 Registration Statement, and we are implementing a capital structure with our banking partners. A Transition Services Agreement is being finalized. We are still targeting mid-2015 for completion.

Now, Bob will provide financial information and segment details, and then I will wrap up with some forward-looking comments. Bob?

Bob Zalupski - *TriMas Corporation - CFO*

Thanks, Dave. Before beginning my comments on the quarter, I wanted to provide some color around specific areas of focus of myself and that of the broader finance team as we partner with the businesses to improve financial performance. I have been in my new role as TriMas's CFO for approximately 90 days and, in addition to active involvement in progressing spin-related activities, we have been working with the businesses on driving accountability for specific margin improvement actions.



These efforts include assisting with resource allocation, providing financial or other data in support of daily operating decisions, developing key metrics to track progress against specific plans, and ultimately understanding the financial implications and related timing to the Company overall. We have also been focused on transition to the new TriMas, post-spinoff of Cequent, including development of the operating financial metrics that will matter to us going forward.

Now with regard to the first quarter, I will begin my comments by providing a brief summary of our total Company performance, beginning on slide 9. TriMas reported first-quarter sales of \$366 million, up slightly as compared to first-quarter 2014 due to the result of recent acquisitions. This increase was substantially offset by sales decreases resulting from the impact of lower oil and commodity prices, port delays, and more broadly macroeconomic uncertainty. The sales change year-over-year was also impacted by nearly \$8 million of unfavorable currency exchange, primarily in Cequent APEA, Packaging, and Energy.

Operating profit for the quarter increased slightly to \$34 million or 9.3% of sales, which is a 20 basis point improvement as compared to Q1 2014. As noted, we are beginning to see returns on certain of our margin improvement actions, with additional benefit expected to accrue throughout the year.

Our Q1 2015 diluted EPS of \$0.41, as compared to \$0.42 during Q1 2014, was in line with our full-year expectations. First-quarter 2015 free cash flow and working capital were also in line with expectations. As a reminder, we generally consume cash during the first half of our fiscal year, as a result of seasonal increases in working capital, and then generate the majority of our free cash flow in the back half of the year.

During Q1 2015, we used cash of \$30.6 million, a 9% improvement compared to the same period a year ago. We ended the quarter with approximately \$671 million in total debt, compared to \$639 million as of December 31, 2014, and \$398 million as of March 31, 2014.

The increase from year-end 2014 was primarily related to higher working capital levels within Cequent as a result of the seasonality in the business. The increase from Q1 2014 related to the incremental term loan and additional borrowings on our revolving credit facility, which funded the acquisition of Allfast in October 2014.

Our leverage ratio of 2.9 times was lower than expected due to better cash flow during the past two quarters. And we had \$165 million of cash in aggregate availability under our credit facilities.

While we anticipate higher levels of capital investment in 2015 to further our lower-cost manufacturing and tech center initiatives, we expect strong operating cash flow will allow us to return to leverage levels in the mid-2s by end of the year, and we continue to target a leverage ratio of between 1.5 and 2 times as a longer-term sustainable level.

Moving on to slide 10, which provides an EPS bridge from Q1 2014 to Q1 2015, as illustrated, our operational improvements in the businesses have been largely offset by the external headwinds related to oil prices and the stronger US dollar. In response to this challenging environment, we have prudently managed our corporate spending initiatives and will continue to maintain our focus on cost controls and driving efficiencies throughout the businesses.

At this point I would like to share a few highlights on our segments, beginning with slide 12. Packaging had a challenging quarter on the top line compared to a year ago, given the port slowdown on the West Coast, significant customer product launches in 2014 that have not recurred, and the unfavorable impact of currency exchange.

While sales were down, Packaging held operating profit margin essentially flat due to productivity initiatives and a more favorable product sales mix. Packaging remains focused on sustainable operating profit margins in the 22% to 24% range, while funding ongoing initiatives of the new customer innovation center in India, where we recently have added engineers, and the ramp-up of lower-cost manufacturing capabilities in Asia.

Moving on to slide 13, Energy. Sales decreased 3% in Q1 due to reduced upstream customer demand, as a result of lower oil prices and unfavorable currency exchange. Lower sales in Brazil and China, as a result of facility closures, were essentially offset by increases at our other international



branches. While operating profit and related margins are down year-over-year, quarterly sequential margins improved 110 basis points as certain of the profit improvement initiatives begin to take hold.

In order to improve upon the current margin level, we have several initiatives underway, including improving manufacturing efficiencies in our Houston facility and relocating higher-volume, longer lead-time product manufacturing to lower-cost facilities. From a commercial perspective, we are also focused on increasing sales of our more highly engineered, higher-margin products.

Turning to slide 14, Aerospace sales increased primarily due to the acquisition of Allfast and additional throughput in our Monogram facility. Q1 operating profit margin expanded due to the higher-margin profile of Allfast and improved operational performance in our other platform companies.

Tom Apelbacher and his leadership team have been heavily focused on optimizing the planning, scheduling, and manufacturing capabilities at Monogram, Mac, and Martinic to increase production throughput and quality, reduce order lead times, improve on-time delivery, and lower internal cost to manufacture. The acquisition of Allfast has served as the catalyst for a broader set of reorganization and integration activities with respect to our Aerospace group, and we are leveraging operating processes, revenue opportunities, and cost synergies across the portfolio.

Moving on to slide 15, Engineered Components. As already discussed on the call, we are facing significant headwinds as a result of lower oil prices, which dramatically impact the results of Arrow Engine. With the Q1 sales decline year-over-year of approximately \$11 million, Len Turner and his management team have taken actions to online Arrow's cost structure with the current level of business activity in order to remain profitable.

The other business in this segment, Norris Cylinder, increased sales by approximately \$4 million during the quarter, while gaining additional operating leverage from our previous cylinder asset acquisitions. Our focus remains on aggressively managing the cost structure at Arrow Engine in response to end-market demand, while diversifying its revenue base into newer wellsite applications. Norris Cylinder will continue to expand product offerings and better leverage its capacity and more efficient manufacturing cost structure.

At this point I would like to turn the call over to Mark to discuss the results and developments within our Cequent segments. Mark?

Mark Zeffiro - *TriMas Corporation - President Sequent Group*

Thank you, Bob. This is an exciting time for the TriMas and Horizon Global teams. The team is making great progress in moving the transaction forward and the preparation to operate as a stand-alone company, as Dave mentioned. In addition, we continue to move forward operationally to deliver on our commitments to the Company and our shareholders.

Before I move into a discussion of the specific results, there are a few important items on which to update our stakeholders. We continue to focus on further development of our OE and ecommerce channels.

Carl Bizon, President of APEA business, has recently been given global responsibility for growing our OE channel. We've received new customer awards and non-US locations, and we are continuing to accelerate the pace of awards in the North American markets. Regarding ecommerce, we continue to experience higher growth in this subchannel and have been investing and developing our capabilities to gain additional share within this large and growing sector.

In addition, led by John Aleva, President of the Americas, integration efforts of our Americas business continue to progress, as we seek out and leverage the best ideas to result in yet more efficient enterprise. We look forward to sharing updates on these key initiatives at our upcoming Investor Day on May 21.

Now for first-quarter performance. Let's start with Asia Pacific and Africa, which we call APEA. The business continues to grow in its local markets; and although our reported sales declined due to a stronger US dollar, we saw a slight uptick in sales levels in local currency during Q1. This growth was supported by new awards in the OE channel both in South Africa and Thailand, which offset slower demand in Australia.



Operating margins have started to climb in this business as a result of the efforts to make our acquisitions more profitable over the past few quarters. These productivity efforts more than offset the lower demand in Australia.

As for Americas, we experienced lower overall demand from the market versus a year ago, impacted by new customer wins in 2014 and higher demand levels in 2014 as a result of our customers protecting their inventory levels as we transitioned our manufacturing activities to Mexico. These factors, combined with a slightly lower industrial demand level, more than offset growth from our ecommerce customer set. We believe new customer wins will continue to add volume to this business in 2015.

Reported margin in the Americas was pressured by roll-off of higher cost basis inventory from less efficient production in 2014. Our current manufacturing efficiencies are better in 2015, with new and improved production levels in our Mexican operations.

Savings are being realized on labor and logistics costs due to better production performance and normalized inventory levels. In addition, we believe we have more than half of our supply chain that has now been localized, with more progress is expected in the back half of the year.

Working capital showed significant improvement compared to Q1 2014, with nearly a \$20 million reduction in the combined Cequent businesses. This was accomplished while carrying higher inventory level that is better positioned geographically to meet customer demands.

Our strategic efforts focus the team on developing a more global, integrated business. We are on a journey to become one global company, integrating and streamlining processes that allow us to operate more efficiently. We remain committed to improving margin levels in 2015 by approximately 100 basis points for the combined segments of Cequent.

Thank you for your attention. I will pass the discussion back to Bob to wrap up the comments on the segments.

Bob Zalupski - *TriMas Corporation - CFO*

Thank you, Mark. To conclude my prepared remarks, slide 17 is a summary of our segment performance in which we show current, prior year, and sequential quarterly results by segment. We intend to use this summary on a go-forward basis to evaluate and communicate progress on our key operational improvements and business initiatives and the related impacts on margin.

Our initiatives are beginning to take hold and deliver results. However, the full benefits of the actions we are implementing will take time to develop.

That concludes my remarks. Now Dave will provide you with some comments on our 2015 outlook. Dave?

Dave Wathen - *TriMas Corporation - President, CEO*

Thanks, Bob. Now I'd like to turn forward to outlook, starting with an update to the segment assumptions on slide 19 that I shared last call. Q1 revenue for Packaging was unfavorably impacted by the port delays, and it looks like currency will be a headwind throughout 2015, as previously discussed.

We also see a revenue headwind as we lower selling prices in conjunction with lower plastic resin prices. But all that said, we expect low to mid single-digit growth and margins in the 22% to 24% range.

Moving on to Energy, some of the oil company CapEx and upstream slowdown is hitting our order rates, as expected. We saw a sequential uptick in margin in first quarter, but we have a long way to go.

We've added some cost-out projects, including consolidating two branches in Europe and adding operational horsepower, both with some new hires and our moving several members of our Continuous Improvement Team to Houston to accelerate cost-out efforts. We continue to move ahead on all fronts to achieve the expected margin expansion.

Aerospace is on track with solid margin improvement in Q1. We do see some second-quarter revenue headwind as distributor consolidation is lowering inventory in that channel. We are pleased with the margin progress to date; and while Q2 may dip in margin rate due to the expected demand volatility, we believe we will be above 20% operating profit margin for full-year 2015.

Engineered Components is performing as well as could be expected, with operating profit margins in Q1 of 12.5% despite a plunge in oilfield engine demand. We are now seeing a secondary effect in lower demands for compressors and our parts business due to the extended period of lower oil prices. As grim as all this sounds, Arrow has cut cost to reflect this demand level and has maintained positive operating profit.

Our industrial cylinder business experienced strong operating efficiencies and continues to leverage their acquisition from late 2013. So we believe this segment should remain on track too, despite the headwinds.

Cequent, of course, is concentrating on becoming a standalone company, and there are some projects underway with payback expected to occur later in the year. That said, the APEA business showed margin improvement, as did the retail channel in the US, such that, with the current actions to integrate and globalize the business, we still see Cequent on track for 100 basis points full-year margin improvement.

So overall, our segments are on track with margin expansion expectations despite the external challenges facing us. We are not standing still and are moving swiftly to execute our initiatives to drive margin and profitable growth.

Nonetheless, as a result of these headwinds we expect Q2 EPS to be lower than the prior year. Since we will continue to work on mitigating these impacts and our margin improvement initiatives will be kicking in as the year progresses, we do expect a shift in our normal seasonal earnings patterns. We expect Q3 EPS to be higher than Q2, despite historical seasonality, as margin actions will be more heavily weighted toward improving the back half and due to the changing mix of our business portfolio.

Moving on to slide 20, which includes a summary of our full-year 2015 guidance for the total Company. As you can see, we are now expecting 1% to 3% sales growth, which includes both organic and acquisition growth, partially offset by the impacts of unfavorable currency and lower oil prices.

We are maintaining our previous full-year 2015 EPS guidance range of \$2.10 to \$2.20, as we believe the savings to be generated by our key initiatives can offset the incremental commodity and currency headwinds, allowing us to hold the expected EPS range. We also expect free cash flow to be approximately \$60 million.

All of these ranges are for TriMas as it exists today. We will update you with new guidance once the planned Cequent spin is completed.

Before we open the call up to you for your questions I will summarize on slide 21. We are certainly taking actions on multiple fronts at TriMas, and our top priorities remain margin improvement through all the tactics we have laid out, and the portfolio transformation initiative of spinning off Cequent. I feel we are making great progress on these priorities, which we believe will add significant value to TriMas.

While we have accomplished a lot, we still have much more work to do on many fronts. We will continue our progress toward our strategic aspiration of being a high-margin, highly engineered product and solutions company as we continue to shift the portfolio in this direction. We will also focus on expansion and capitalizing on profitable growth opportunities, while deemphasizing and reducing less profitable businesses.

Of course, we will always focus on positioning the business to mitigate external headwinds and risks by responding quickly and effectively to changes. I feel we have a strong foundation to build on, and I am looking forward to the remainder of 2015.

Now we will gladly take your questions.



QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Scott Graham, Jefferies.

Scott Graham - Jefferies LLC - Analyst

Hey, good morning. I was hoping, could you shed, Dave, a little bit of light on the gross margin this quarter? Which was, I guess, a lot higher than I would have expected it to be with some of the pressures that you faced. What was the driver there?

Dave Wathen - TriMas Corporation - President, CEO

Of course, we have been at the overall -- if you could check my voice track for the last year about margin you would know we would have had our emphasis high on that. That certainly has one side of it.

We have -- Scott, as you know, we are -- we say what we are going to do, and we really keep at it. So it's -- a little better though is also philosophical: a permission coming from me to say margin is highest priority and it's okay to get out of some lower-margin things. You are seeing a little bit of that around the edges and hitting us in revenue.

A real shift of what do our engineers and manufacturing folks work on; the impact of all the Six Sigma projects; so it's a whole combination of things. Operating margin would be higher, except we are doing some SG&A things.

We told you we are building a tech center out in India. It takes a while for that to kick in, but it will make the Packaging business stronger. So there is no single answer except emphasis.

Bob Zalupski - TriMas Corporation - CFO

The other comment I would add, Scott, is that we have experienced some lower input costs with resins and specialty steel in Norris Cylinder. So that is part of it as well.

Scott Graham - Jefferies LLC - Analyst

Okay, great. Second question. Is Packaging the only area where you are seeing some pricing pressure?

Dave Wathen - TriMas Corporation - President, CEO

No, there are anecdotal pricing pressures all over the oil world. People who build platforms -- and we make a lot of -- we make fasteners that are used on oil platforms, for example. And we get messages from them about things are awful, we want a -- and you fill in the blank on the price cut.

We just have to stand tall. So there is pricing pressures that are oil-related.

The Packaging ones you could call it oil related. Resins stayed up quite a while but they have started to tick down. Some of our contracts pass it on directly; some of it we renegotiate. Of course we hang on to the spread as long as we can.

But you could say in the background it is either oil or commodity like specialty steel, where the lower prices of things like tungsten and all that tend to take those prices down. And eventually we have to pass it on. So it's logical with the extraneous stuff still going on in oilfield, because of the almost desperation you see in that area.



Scott Graham - *Jefferies LLC - Analyst*

Understood. Thank you. Here is my last question. It's a bit of a two-parter, though. If we look at the maintained EPS guidance, I just wanted to ask you, A, if that contemplates the Energy segment getting worse from here on the top line; and, B, which businesses help you get to the new organic sales guide.

Dave Wathen - *TriMas Corporation - President, CEO*

Of course your math is exactly right. It would tend to push us towards the lower end of the range that we gave you, just the revenue decline and holding margins. Every one of us knows this and sees it coming; we have a very transparent forecasting system within TriMas. And every operating manager, we are all in this together; we all own stock, all those things.

We've all got our divvied-up stretch targets to go after to make sure we can -- and like any operating company, we know how to do that kind of thing. You may have picked up on the bridge that headquarters costs are down; that is a lever I pull.

So we are forecasting staying in our range, and we know we've got to come in a little higher -- the math just says we've got to come in a little higher. And we are trying to hold on to every program we have identified. I don't think it's a kind of time where slash and burn; but we will do some selective stuff if it calls for it. Bob is very good at understanding all this.

Scott Graham - *Jefferies LLC - Analyst*

Yes. I appreciate your answers as usual, Dave. Very forthcoming. Thank you.

Operator

Steve Tusa, JPMorgan.

Steve Tusa - *JPMorgan - Analyst*

Hey, good morning. Could you maybe just explain the seasonality again? The second quarter definitely seems a little bit light; and I guess the third quarter makes maybe a little bit of sense as a bounceback there; and there's I think some moving parts in the fourth quarter on restructuring and the comparison. So maybe just with the weak second quarter, or relatively weak seasonally second quarter, maybe provide some context around headwinds now, tailwinds later type of thing for EPS.

Dave Wathen - *TriMas Corporation - President, CEO*

Historically, parts of the Cequent business are very seasonal. We build a lot of inventory in fourth quarter and first quarter, and then sell every year in second quarter. You can just look at that over history.

Some of that still goes on, but we've gotten better at that change. Mark I think mentioned working capital and inventory and all that. We've gotten better by being faster, so we don't let that hit us as hard to where we wind up with a huge second quarter.

The acquisition of Allfast, which is our portfolio mix towards that business, we have a special case in distribution channel shrinking. I am sure you hear this around all kinds of industry. Distribution companies are buying each other and consolidating; and part of their savings premise is carry less inventory. And we are seeing some effects of that.



So that, we are right now -- forecast that happening to us some in second quarter. So you throw that all together and then -- so that's revenue.

On the margin side, we have a long list of margin-enhancement programs that just sequentially keep improving things. So you lay that across the bottom.

In our internal modeling processes, that's the way the trend works. So we have tried to become a lot more open about what do we see by segment and timing, between quarters, and all that.

We know with the Cequent spin coming it gets even more complex, so we're doing our best to explain it to you as we go into it. As usual, if what I tell you now and we tell you now proves to be a little different when it actually closes, we will tell you why.

But we are trying (technical difficulty). So you are seeing some of that, our willingness to tell you ahead of time.

Steve Tusa - *JPMorgan - Analyst*

How much do you have like locked in for the fourth quarter, whether it's restructuring benefits or maybe easy compares? Again it just seems like a little bit of a -- just trying to explain the back-end-loaded nature of the quarter -- of the year.

Bob Zalupski - *TriMas Corporation - CFO*

Stephen, I'm not sure -- when you say locked in --?

Steve Tusa - *JPMorgan - Analyst*

What's visible? I mean what makes the -- if you are pushing EPS from seasonally, what is visible and in your control that we can bank on, other than just like how the end markets are moving? Just remind us of, I guess, those pieces of the bridge.

Bob Zalupski - *TriMas Corporation - CFO*

I guess a couple things. Relative to the downdraft in Q2, to put just a slightly finer point on it, we're not expecting any rebound from -- in energy prices or in oil such that it impacts our Arrow Engine business favorably -- or Lamons, for that matter.

I think in Aerospace, we do expect -- while we see a downdraft in the order intake from distributors in Q2, our expectation is that that is not a permanent kind of a situation, and that that will recover in the second half of the year. Aerospace also happens to be the segment in which we have some very significant improvement initiatives ongoing.

Again, as we burn off higher-cost inventory in the front half of the year, we would expect to begin to see the benefits of those programs in the second half within Aerospace. So you get a combined effect of improving margins and what we expect to be improved top line in terms of distribution orders.

Beyond that, I think it's to what Dave described earlier in terms of the different initiatives going on. Particularly in Lamons, our Energy segment, that today we are operating in a 300, 400 basis points of profitability; we would expect that to increase as we move through the year as the moves to Mexico and other activities we have ongoing in Houston take hold.

Steve Tusa - *JPMorgan - Analyst*

Okay, great. Thanks a lot for the color.

Operator

Walter Liptak, Global Hunter.

Walter Liptak - *Global Hunter Securities - Analyst*

Hi, thanks; good morning, guys, and congratulations on the margins so far. I wanted to ask about the Aerospace. In your comments, you didn't call out how much Allfast contributed in revs. I wonder if we can get that number.

Bob Zalupski - *TriMas Corporation - CFO*

Yes. Top-line sales were approximately \$16 million, Walt.

Walter Liptak - *Global Hunter Securities - Analyst*

Okay. You mentioned that there was purchase accounting that ran through. Did you adjust those out, or could you tell us how much the purchase accounting was?

Bob Zalupski - *TriMas Corporation - CFO*

No, no, the purchase accounting is reported in both our GAAP results as well as the results we have discussed here on the call.

Walter Liptak - *Global Hunter Securities - Analyst*

Okay.

Bob Zalupski - *TriMas Corporation - CFO*

In terms of inventory step-up, we've got about \$2 million that impacted us in the first quarter, and then an additional \$600,000 or so relative to higher intangibles amortization. The inventory step-up of course goes away, while the intangible amortization does not.

But you've got to be a little bit cautious with that comparison because, while we are burning off inventory step-up, normal variances are being capitalized in the normal course. So there is a push and a pull between those two numbers.

Walter Liptak - *Global Hunter Securities - Analyst*

Okay. So we shouldn't immediately think that you should get a step up in margins next quarter because you won't have that inventory going through.

Bob Zalupski - *TriMas Corporation - CFO*

That is correct.



Walter Liptak - *Global Hunter Securities - Analyst*

Okay. How -- you mentioned inventory destocking in Aerospace again. I thought we were through or towards the end of that destocking.

Can you provide us with some color on what's happening with the channels? Is it destocking at the OE, or is it destocking at the distributor?

Dave Wathen - *TriMas Corporation - President, CEO*

There's two phenomena. There's a couple of the big distributors -- the big distributors have either merged, there has been a spinout, there is a list of those things; you can do a search for all of them. Off the top of my head, there's three big events that affect the channel, which ultimately is good because we become more important to those new bigger distributors.

Certainly because of the combination of Monogram and Allfast and Mac we're more important. But also there's fewer of them and we're better at doing big programs. So all that's good.

But they are still in the process of taking inventory out just, I would say, because it was part of their merger and acquisition and spin premises. That said, you've got the other phenomena going on in the background, where Boeing is taking more control of the supply chain.

You know, we went through this whole period of Boeing took, in our case, basically Wesco out of stocking lines for them. Wesco then made their own strategic moves to capture more volume.

But we had that whole change where Boeing is going more direct to its big parts suppliers that are OE, build rate related kind of suppliers. You got all that going on -- which again eventually is more efficient. Gave us fits for a while with lot sizes and all, but then we get configured.

They've also got a round of that going on in a broader sense, about how they approve and stage suppliers at their Tier 1s. So if they have us shipping to somebody, they are taking more control of it.

That is going to go on for a while, and most people would predict that tends to spill over into Airbus at some point, too, those tactics. So Walt, we've got a period ahead of us.

That said, we've got a team in that business who understands this stuff inside out and how to respond to it. We are actually -- in spite of all this, we are actually getting some approvals on products that grow our share. You would have thought they were so busy they couldn't do any of this.

But you've heard us talk collars. We've got some of that going on. We've been told they are putting us in the queue for some more of that.

So it's all good over the long haul, but I feel like we ought to be telling you upfront more that we see that turmoil for a while yet. Right now, it's probably a quarter's worth that will really matter, because we've got this overall growth going on that tends to mask some of it.

Walter Liptak - *Global Hunter Securities - Analyst*

Okay. Was the choppiness in (multiple speakers)

Dave Wathen - *TriMas Corporation - President, CEO*

We'll do our best to spell it out for you as it occurs.

Walter Liptak - *Global Hunter Securities - Analyst*

Okay. Okay, fair enough. I'll follow up with you guys.

Then on the Energy side, I wanted to ask about some of the questions that you were answering. Is there a step up for some of that move to Mexico that happens where we get more costs out in the second quarter, or is it more back-half loaded?

Dave Wathen - *TriMas Corporation - President, CEO*

It's back half.

Bob Zalupski - *TriMas Corporation - CFO*

Yes, I would tell you that we would expect to maybe begin production mid to late third quarter, and that's going to be a very measured, very scaled effort that I would really not anticipate significant impacts until we get into late in the fourth quarter, early part of 2015.

Dave Wathen - *TriMas Corporation - President, CEO*

This will be a controlled ramp. It's not like we're closing another plant. We can control this very well, instead of making the big, earth-shattering chunks of move. We will do this one in a nice, smooth way.

Walter Liptak - *Global Hunter Securities - Analyst*

Okay. With that cost-out coming, do you need to get the GDP growth at Lamons or in the Energy segment, to get to the 150 to 250 bps of margin improvement? Or if it's a flat revenue environment are you at the low end?

Dave Wathen - *TriMas Corporation - President, CEO*

We think we have it configured such that we get the margin improvement through cost-outs. It's way tougher if we have much more revenue decline; but we are -- we've got it modeled such that we can -- we said handle flat revenue and get the margins.

Walter Liptak - *Global Hunter Securities - Analyst*

Okay, okay. Thanks, guys.

Operator

Samuel Eisner, Goldman Sachs.

Samuel Eisner - *Goldman Sachs - Analyst*

Good morning, everyone. On the A&D profitability, I know you mentioned that Allfast is certainly contributing there, but can you talk a bit about the remaining business profitability ex-Allfast? Was most of the -- if not all of the -- Aerospace margin improvement just purely driven by mix, or was there improvements to the base business as well?



Bob Zalupski - *TriMas Corporation - CFO*

Yes, I think we are clearly seeing improvements in the base business. If we look at last year where we had our significant challenges, I think it was in the Monograph and Monogram and Martinic businesses proper.

Martinic has returned to operating profit margins at historic levels which is very positive, albeit it's less of an impact than Monogram given its relative top line. But still that's very encouraging.

Then in Monogram, we are clearly improving the manufacturing efficiency. So uptimes are better; delivery rates are better.

We are not yet seeing the full benefit of those improvements in margin, though, because of the higher-cost inventory that resulted from some of the production inefficiencies we experienced in Q4 of last year and then as we ramped and began to improve in the first quarter of this year. So, we expect to see a little bit of headwind in profitability there, Sam, as we move through Q2 because of that. But longer-term, Q3 and Q4, we would expect margins to step up in the Monogram business proper.

As it relates to Mac, I think that's a business which is most heavily dependent on distribution. So there we have been challenged in the top line, and I would tell you that profitability there is going to remain in that low double-digit, high single-digit range of until revenue returns.

Dave Wathen - *TriMas Corporation - President, CEO*

But, Sam, like all industrial manufacturing companies we have an operating system -- we call it TriMas Operating System -- and it gives me a chance to see details on machine uptimes, on efficiency across batches in machining centers, all that sort of thing. And the trends are quite encouraging in Monogram in particular.

We know why we were off track in 2014 and some of 2013. But we've got a crew in there: Tom Aepelbacher, John Gonzalez, that group, are all over it, and the short-term metrics are definitely improving. So they will show in product margins.

So, I am encouraged. It's doing what we planned on and counted on, with the changes we made.

Samuel Eisner - *Goldman Sachs - Analyst*

Thanks. That's helpful. Then just to the guidance, the sales guidance, you're bringing down organic by 100 bps and you have this additional 100 bp impact from oil price and currency. Just on the organic side, what has changed, I guess, in the last two months?

Is it really just the destocking that you are seeing in both Cequent as well as the Aerospace business? Is it a combination of a couple things? Obviously there is a lot of moving pieces to the Company, so I just want to understand really what is driving that 100 basis point delta.

Dave Wathen - *TriMas Corporation - President, CEO*

You are right. Some of it is destocking. Some of it shows up in there where you have commodity prices down and selling prices drop a little, and it's hard to really break that out into buckets, and it winds up showing in organic.

Some of it is our own view that general industrial markets are okay, but they just don't seem to ever pick up. And that slows down product launches by customers and all that kind of thing, and so some of it is that.

So we're -- plus I don't want to count on higher revenues to drive margin. We are in a margin enhancement move, time, which is cost-out and don't count on leverage. But we will take our leverage if we get it, but most of that stuff is a little too out of our control to count on it.



Samuel Eisner - *Goldman Sachs - Analyst*

Then just lastly --

Bob Zalupski - *TriMas Corporation - CFO*

The other piece, Sam, that we see in the Norris Cylinder business is the pressure that currency will have on not just our ability to export, but potentially making imports more price competitive. And that -- the specialty steel prices that have declined over time, clearly there are some top-line pressures there from certain customers regarding givebacks in that regard.

Samuel Eisner - *Goldman Sachs - Analyst*

Are you actually seeing those competitive dynamics driven by currency within the Norris Cylinder business already? Or is that on the come?

Dave Wathen - *TriMas Corporation - President, CEO*

No, they are seeing it in -- if they quote in Australia, for example, where you've got the -- or someplace where there is no capacity, you get global players quoting it. And yes, we can see it in price.

There are specs we have that other people have and all that, and we know how to fight it. But it's -- the currency moved so fast that it really hit some of this, and there are some mighty hungry competitors still sitting in Europe, etc.

Samuel Eisner - *Goldman Sachs - Analyst*

Then just lastly, I realize that you are seeing pricing declines on the Packaging side. But are there any businesses that you are actually seeing a positive value gap, where commodity costs or raw materials are falling at a faster rate than pricing is coming down? Thanks.

Dave Wathen - *TriMas Corporation - President, CEO*

We have some of that. Everybody understands that under-the-curve issue and works it hard.

We tend to do okay in times when commodities are moving, because we can delay the price downs. But we plan for that too, because we tend to be pretty good at it.

Yes, we are seeing some value improvement because of commodity costs coming down. You know, it's -- the commodity prices is pretty broad-based, what the declines are on specialty items.

Samuel Eisner - *Goldman Sachs - Analyst*

Got it. Thanks. I'll hop back in queue.

Operator

(Operator Instructions) Matt Koranda, ROTH Capital Partners.



Matt Koranda - *ROTH Capital Partners - Analyst*

Good morning, guys. Thanks for taking my questions. Just wanted to drill down a bit more into the Aerospace segment and the more direct stocking of Boeing's Min/Max programs. You had mentioned that Airbus was potentially going to be going through the same thing.

Have you already started that process with Airbus? And is that factored into the margin guidance for the year?

Dave Wathen - *TriMas Corporation - President, CEO*

What we anticipate happening with them, yes. Airbus is -- this is the season for Airbus contracts, and so they are pretty consumed with new contracts and multiyear awards and all that sort of thing. But we won't -- we don't intend to get surprised by any of those changes. We are a lot more used to it.

Matt Koranda - *ROTH Capital Partners - Analyst*

Okay, all right. Got it. Then in the Engineered Components segment, just wondered if you could break out more specifically, especially between Arrow and Norris, some of the sources of operating margin improvements you guys see there for the year. It looks like you are guiding to some sequential improvement for the year.

Could you talk about the cadence of operating margin improvement during the year, and just more specifically some of the sources you see?

Dave Wathen - *TriMas Corporation - President, CEO*

I'm going to give you an example. In Norris, we have two plants. Our big forges are in Texas; our small cylinders plant is in Huntsville.

When we bought that business some time ago it basically made small cylinders out of steel tubing. You had to buy this oilfield kind of tubing that is high pressure; cut it off; put caps on. Far more efficient is using forges and forming cylinders from deep draw steel. We've counted on that.

We continue -- and then when we bought the business out of Canada, out of Worthington, and moved it into Huntsville, same deal. We have the equipment -- because remember, we bought a bunch of equipment back in the Taylor-Wharton bankruptcy.

We have been installing equipment that allows us to do deep draw forming of cylinders; which means the bottom is on the cylinder, the sides are of a stronger molecular structure, which means you can make them thinner. And it's just all around a good thing.

It takes a while, because the approval processes are immense. I enjoy mechanical businesses. We have to blow up cylinders with pressure underwater to test, do destructive testing and all that. The point being it takes a while.

But those are kicking in, and there is a whole list of those kinds of projects that are about more efficient forming of a mechanical structure. You can measure that very well; you know the thickness; you know the weights and what it's worth. And the trick is, how fast can you get it done?

But you build a safety-related product so you don't cut any corners. And we lay it out and understand the timing.

So there is a whole list of those kinds improvements going on that are generally driven by us bringing our kinds of processes to the product lines we've acquired. So that's going on.



Even within Arrow, with the grim levels of order rates, they've got a lot of engine assembly relay outs and speed related things that are getting them prepared for -- because what happens when it ticks up a little bit is then everything is a rush and your costs go bad. So we're getting configured for that.

So I think it's -- the cadence is lay the projects out; try to allow them to continue going and not have to make cuts and all that. Try.

And we think we've got those laid out quarter by quarter by quarter. We know how to track those and make sure they're kicking in.

Bob Zalupski - *TriMas Corporation - CFO*

Yes, the other comment I would add is that we believe that, in the Arrow business at least, we've bottomed out in terms of our revenue decline. As Dave mentioned, we've aligned the cost structure such that we're able to be profitable even these much reduced sales levels.

Of course when you look at Engineered Components overall, that much lower sales impact of Arrow proportionately is less of a percentage of the total segment. As we mentioned, top line in Norris has been strong and the operating efficiency is very, very good. So that mix factor has an impact as well in us being able to maintain guidance around the 13% to 15% operating profit range.

Matt Koranda - *ROTH Capital Partners - Analyst*

Okay, great. That's very helpful, guys. Last one for Mark here on Cequent. The margin improvement, 100 basis point margin expansion year-over-year is what you guys are guiding. Just wondering if you could break that out between APEA and Americas.

Is America's going to carry the majority of that 100 basis point improvement? What are you seeing there?

Mark Zeffiro - *TriMas Corporation - President Sequent Group*

Yes, this is Mark. If you think about where we've already started the year, we've seen nice improvement out of the APEA business. But we need to deliver a bit more out of the Americas to deliver that.

In terms of separately, you will see improvement in both. But more importantly, we need to see the significant return for the investment that TriMas made out of the Mexican facilities here in 2013/2014.

Matt Koranda - *ROTH Capital Partners - Analyst*

Okay, great. I will jump back in queue, guys. Thank you.

Operator

Karen Lau, Deutsche Bank.

Karen Lau - *Deutsche Bank - Analyst*

Thanks; good morning. Could you talk about the progression of the quarter? Because some companies talked about March taking a step down, whether it be in process business or general industrials.

Did you see any of that? And what have you seen so far in April?



Dave Wathen - *TriMas Corporation - President, CEO*

We haven't seen the industrial -- I know what you're -- the statistic about industrial activity. We haven't actually seen that in short-term order rates.

Probably the -- in parallel, though, I think the place that is not picking up like the reports would indicate is Europe. In spite of all the positive press about stimulus and all that, Europe to us at least in our sets of businesses still looks pretty flat.

Karen, we clearly watch all those order rates. Not yet is the answer.

Karen Lau - *Deutsche Bank - Analyst*

Okay. So it sounds like things were pretty stable across the three months and into April?

Dave Wathen - *TriMas Corporation - President, CEO*

Yes.

Karen Lau - *Deutsche Bank - Analyst*

Okay. Is there a way to quantify the one-time impact from port delay and some of the -- aside from Aerospace, I guess -- the one-time destocking in the channel that you experienced in the quarter?

Dave Wathen - *TriMas Corporation - President, CEO*

I don't know that we've -- I know within each business when we go through what extra costs we incur and expedites and air freight and rerouting. Because on the TriMas Operating System there is a line item on transportation, all transportation; and when that kicks red, talk about it.

We saw a few million dollars overall over the last several quarters in port delay costs.

Karen Lau - *Deutsche Bank - Analyst*

Okay, and that's not all cost side, but --

Dave Wathen - *TriMas Corporation - President, CEO*

(multiple speakers) talk about revenue we missed, because we couldn't deliver. Talking about just plain extra costs we took on to get product because -- so it's a few millions for the Company in the quarter. But we had that modeled in.

Karen Lau - *Deutsche Bank - Analyst*

Okay. So that normalized and should get you a little bit of help in the second quarter?

Dave Wathen - *TriMas Corporation - President, CEO*

It will. It should.

Karen Lau - *Deutsche Bank - Analyst*

Okay, and then I guess lastly just helped me understand the, I guess, Packaging pricing dynamic. I realize pricing is down; but would you not get some benefit in terms of margin percentage because you may have contract that protects the OP dollar? Or it's just like a flow through you have, like lower sales and also OP would be lower as well?

Dave Wathen - *TriMas Corporation - President, CEO*

OP percentage.

Bob Zalupski - *TriMas Corporation - CFO*

Oh, operating profit, okay. You know, I think when you look at the impact resins have on sales and margin in Packaging, as an input cost it's not really all that as significant a component. So movements there, be it up or down in terms of cost input as well as impacts on pricing, generally speaking aren't moving the margin percentages a whole lot. There's enough moving parts in terms of other operating efficiencies and productivity improvements that Packaging is chasing that it gets difficult to sort out precise impacts between the two elements.

Karen Lau - *Deutsche Bank - Analyst*

Okay. So not that much impact in the scheme of the 22% to 24% operating margins?

Dave Wathen - *TriMas Corporation - President, CEO*

No.

Bob Zalupski - *TriMas Corporation - CFO*

No, not at all.

Dave Wathen - *TriMas Corporation - President, CEO*

It doesn't hurt us on margin. There is probably a few times it helps us a little, a tiny -- a little bit.

Karen Lau - *Deutsche Bank - Analyst*

Okay, got it. Thank you.

Operator

Steve Barger, KeyBanc Capital Markets.



Steve Barger - *KeyBanc Capital Markets - Analyst*

Hey, good morning, guys. I'm going to ask that Packaging question a different way. From a dollar standpoint obviously it's the strongest EBIT contributor. As you think about end markets, FX headwinds, operational issues, do you think operating dollars will be up in 2015 versus 2014? Or are you just fighting for flat here?

Dave Wathen - *TriMas Corporation - President, CEO*

Bob is checking. When did the -- when did Italy come out? Call it flat.

Steve Barger - *KeyBanc Capital Markets - Analyst*

Okay. Similar thing, I want to go back to the comment about higher-cost inventory in Aerospace because of inefficiencies in 4Q. When we had the Analyst Day out there, we saw a lot of the products come out of a machine-driven process.

I'm curious what the normal process time is from raw material to shipment, or how much inventory you carry in terms of time. And did that get significantly out of line as you went through the last couple of quarters?

Bob Zalupski - *TriMas Corporation - CFO*

Yes, I would say there probably was some increase in order lead time, Steve. But I think in terms of productive throughput it has more to do with the lot size orders and our ability to effectively schedule equipment to run smaller lot sizes.

No question, last half of 2014 we struggled with that from a manufacturing efficiency point of view. I think the team most recently has been really focused on better balancing the production throughput in a way that the machine efficiency and the machine uptime is greater and therefore you are able to get more product through the factory.

Dave Wathen - *TriMas Corporation - President, CEO*

I do get to see in the TriMas Operating System the throughput by class of machining center. What you're talking about, we are seeing higher throughputs. And again, we all know what you have to do: we've got a team that is really on it.

That -- some of it is Black Belts, Green Belts and Black Belts working on set-up time reduction. Some of it is scheduling techniques and groupings. Some of it is routings, and some of it is figuring out some different way to automatically feed a machine.

So it's a whole combination of things. But the metric that matters on cost is efficiency of running through the centers, what ultimately is their output, which captures uptime, it captures set-up time, etc., all that.

And those trends are positive. They take a while to flush through to results, but that's why people like us always watch that stuff, because you can see trends coming at you.

Steve Barger - *KeyBanc Capital Markets - Analyst*

Sure. I guess if machine uptime is (multiple speakers) -- sorry, go ahead.



Dave Wathen - *TriMas Corporation - President, CEO*

I feel good about it. I am encouraged by it. And that's what we asked that group of people to do, and I would say they are doing it.

Steve Barger - *KeyBanc Capital Markets - Analyst*

Can you give us a sense of magnitude? Where did machine uptime used to run when things were really on track, where were you at the worst point, and where are you now? So we can gauge how you're moving through that process.

Dave Wathen - *TriMas Corporation - President, CEO*

The machining centers like that, all in, 85% uptime -- not uptime. 85% total efficiency through the line is a very good number. We never really got there. We bump up against 80% once in a while.

We got down into the 70% and 60% once in a while, and we are back up bumping 80%. So we are not at all-time highs, but we are gaining on it. The trends look good.

Steve Barger - *KeyBanc Capital Markets - Analyst*

Got it. Thanks very much.

Operator

There are no further questions at this time. I would like to turn the conference back over to our moderators for any additional or closing remarks.

Dave Wathen - *TriMas Corporation - President, CEO*

Well, we sure appreciate the attention. We hope you appreciate us trying to give you a little more short-term forecasting of what we see coming at us.

Like I say, my commitment is that we are doing our best to share that with you. By doing that there will be things that come in a little differently than that; we will tell you why when we get there. So, call that part of new TriMas.

You can tell I am encouraged about progress. I want more, and we will keep at it. So, hopefully we will see some of you at our upcoming Investor Day, and we will be able to help you understand more about the upcoming spin and that impact on the two new companies. So thanks, everybody. Appreciate it.

Bob Zalupski - *TriMas Corporation - CFO*

Thank you.

Operator

This does conclude today's conference. We thank you for your participation. You may now disconnect.

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