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TRS.OQ - Q1 2026 TriMas Corp Earnings Call

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PRESENTATION

Operator

(Operator Instructions). It is now my pleasure to introduce your host, Sherry Lauderback, Vice President of Investor Relations.

Thank you. You may begin.

Sherry Lauderback - TriMas - Vice President of Investor Relations

Thank you, and welcome to TriMas Corporation's first-quarter 2026 earnings call. Joining me today are Thomas Snyder, President and CEO, and Paul Swart, our Chief Financial Officer. We'll begin with prepared remarks discussing our first-quarter results, followed by our outlook for 2026, after which we'll open the call for your questions.

To help you follow along with today's discussion, both the press release and our presentation are available on our website at trimask.com under the Investors section. A replay of this call will also be available later today by dialing 877-660-6853 and using Meeting ID 137-59871.

Before we begin, I'd like to remind everyone that today's comments may include forward-looking statements, which are inherently subject to various risks and uncertainties. Please refer to our most recent Forms 10-K and 10-Q for a discussion of the factors that could cause our results to differ from those anticipated in any forward-looking statements. We undertake no obligation to publicly update or revise such statements except as required by law.

We also encourage you to visit our website for more information. In addition, please refer to the appendix of our press release or presentation for reconciliations of GAAP to non-GAAP financial measures. Throughout today's call, our discussion of financial results will be on an adjusted basis, excluding the impact of special items. And unless otherwise noted, the financial results discussed will reflect continuing operations.

At this point, I will turn the call over to Thom.

Thomas Snyder - TriMas Corp - President, Chief Executive Officer, Director

Thank you, Sherry. Good morning, everyone, and thank you for joining us today.

Before diving into the results, I want to briefly provide some perspective on the quarter.

The first quarter of 2026 reflected steady execution and progress as we advanced several important priorities for the company.

During the quarter, our team delivered on several key commitments, most notably the successful divestiture of TriMas Aerospace, which closed on 16 March.

The transaction was completed on schedule, generated more than \$1.2 billion of net after-tax proceeds, and meaningfully strengthened our balance sheet. We're pleased with the execution and the increased flexibility this provides as we move forward.

We acted promptly and deliberately with the proceeds, repaying borrowings associated with fourth-quarter share repurchase activity. Completing additional share repurchases and investing the remaining balance in interest-bearing accounts as we assess the best long-term use of that capital.

During the first quarter, we repurchased nearly \$1.5 million shares, bringing total repurchases since announcing the aerospace divestiture to approximately \$4.5 million shares.

As of the quarter end, we had approximately \$36.3 million shares outstanding.

These actions reflect our disciplined approach to capital allocation, including returning capital to shareholders, while maintaining the flexibility to invest for long-term value creation.

Our priorities remain unchanged, investing in organic growth, strengthening our core capabilities, and pursuing targeted high-quality acquisitions that enhance, elevate, or expand our platforms within packaging and life sciences.

We believe these are attractive, growing and resilient end markets where we see compelling long-term opportunities and where our capabilities position us well to compete and win.

While much of the focus this year has been on the aerospace divestiture and our longer-term strategic positioning, we also continue to make meaningful progress on operational improvements across the business.

We intensified our focus on standardization, operational excellence, and continuous improvement. And as discussed on our February call, we took actions that positioned us to deliver approximately \$10 million of cost savings in 2026 and \$15 million annually.

Based on that momentum, in March, we announced plans to consolidate our Atkins, Arkansas, packaging facility into other locations by mid-year '26.

This was a difficult but necessary decision that aligns with our long-term strategy to optimize our manufacturing footprint, improve efficiency, and remain competitive.

We expect this action to generate approximately \$500,000 of additional savings in 2026 and roughly \$1 million on an annualized basis.

Alongside this progress on execution and strategy, we're operating in a dynamic external environment.

Our teams are closely monitoring geopolitical developments, including conditions in the Middle East, and proactively managing potential impacts across our operations and supply chains.

While we have not experienced any significant direct impacts to date, we are working collaboratively with our vendors and customers to manage cost pressures and ensure continuity of supply.

Despite these external considerations, our focus remains firmly on what we can control. As we move through the remainder of 2026, we believe we are well-positioned to accelerate performance, invest in organic growth and targeted acquisitions, and continue building a stronger, more customer-focused company.

Before moving on, I want to acknowledge the high level of engagement and commitment demonstrated by our teams across the company.

Successfully closing a major divestiture, managing the transition, returning capital to shareholders, and advancing operational improvements while continuing to serve customers at a high level requires focus, coordination, and discipline. This performance reflects the strength of our leadership team and the collaboration and accountability embedded across TriMas.

Turning now to our first quarter results on Slide 4, the quarter generally reflects the expected performance across the organization and meaningful year-over-year improvement in both growth and profitability.

As a reminder, the results of operations for TriMass Aerospace, which were previously reported within the Aerospace segment, along with one-time transaction-related costs, have been classified as discontinued operations for all periods presented.

For the quarter, net sales increased more than 10% year-over-year to \$168 million.

Growth was driven primarily by 7.3% organic gains, complemented by a 4% currency tailwind and partially offset by a modest impact from the aero engine divestiture.

Importantly, results reflect steady demand across many of our end markets, with Q1 net sales growth exceeding our expected range.

From a profitability standpoint, we delivered solid margin expansion.

Operating profit increased, with margins improving by 120 basis points year-over-year and exceeding our original Q1 assumptions.

This outperformance reflects operating leverage on higher volumes, combined with the early benefits of our cost streamlining initiatives, most notably meaningful reductions in corporate cash costs.

Income and earnings per share increased meaningfully year-over-year. Income from continuing operations increased 51% to \$9 million, compared to \$5.9 million in the prior-year period.

Adjusted earnings per share rose 60% to \$0.24, compared to \$0.15 in the prior year.

This improvement was supported by stronger operating performance, approximately \$0.04 of interest income from invested proceeds, and disciplined cost management.

These benefits more than offset higher interest expense and a higher effective tax rate year-over-year.

Overall, we are encouraged by how the year has begun. With a stronger balance sheet and a more focused portfolio and continued progress across our operations, we believe TriMass is well-positioned to accelerate performance in 2026 and beyond.

The momentum we're seeing reinforces our confidence as we move through the remainder of the year and continue advancing our strategic priorities following the aerospace divestiture.

And with that, I'll now turn the call over to Paul to walk through the financial results in more detail. Paul.

Paul Swart - *TriMas Corp - Chief Financial Officer*

Thank you, Tom, and good morning, everyone.

Let me start by walking through our current balance sheet and capitalization on Slide 5.

We successfully closed the aerospace divestiture in March and received approximately \$1.4 billion of gross cash proceeds, meaningfully transforming our balance sheet and providing financial flexibility. We have redeployed over \$150 million of the proceeds to fund share buybacks executed between November 2025 and the end of Q1 and expect to fund the estimated \$200 million in income taxes owed related to the transaction gain beginning in the second quarter.

We ended the first quarter with a net cash position of \$913 million. The majority of our cash balance is invested in interest-bearing accounts, currently earning about 3.5%, a solid income source, as we take a disciplined and deliberate approach to further capital redeployment.

This income stream began to benefit our results in late March, and Tom will discuss the expected earnings benefit of that interest income as part of the outlook discussion.

From a debt perspective, our \$400 million of 4.08% senior notes due in 2029 continues to provide a stable, low-cost financing.

First quarter free cash flow was a use of \$16 million, which is not unusual given the seasonal dynamics of our business as we build toward higher sales volumes in the second and third quarters. We expect an improved free cash flow generation as we move throughout the year.

In summary, we have significant capacity to execute our priorities and will continue to deploy capital responsibly on a measured basis to create long-term value.

Turning now to business performance, let's move to Slide 6 and review the packaging segment.

First quarter net sales increased 9.1% year-over-year to \$139.2 million with the growth split between organic improvement and the impact of favorable foreign currency translation.

Demand was solid across much of the portfolio, led by strength in applications for the beauty and personal care and life sciences end markets, partially offset by some softness in industrial closure applications.

In particular, life science sales benefited from nearly \$5 million of tooling revenue that was not inherent in our Q1 forecast.

Operating profit was \$17.7 million, largely in line with prior period.

From a margin perspective, first quarter margins improved sequentially versus the fourth quarter of 2025 as expected, driven by higher sales volumes and the early benefits of our operational improvement and cost-out actions.

On a year-over-year basis, margins were lower, reflecting a less favorable product sales mix, particularly as a result of the higher tooling sales, which moderated the impact of the higher volumes and cost actions during the quarter.

Turning to our forward outlook, we continue to expect full-year 2026 sales growth of 3% to 6%, with full-year operating margins expanding into the 14% to 15% range.

We anticipate sequential margin expansion as we move through second quarter and then third quarter 2026, driven by cost streamlining initiatives, operational and commercial excellence programs, benefits from prior acquisition integration and footprint optimization.

Finally, as Tom noted, we are operating in a dynamic and external environment. We are actively monitoring global conditions and working proactively with our customers, suppliers and operating teams to mitigate potential impacts from geopolitical developments.

Turning to Slide 7, I'll review our specialty. Product segment.

Performance in the first quarter reflected continued recovery and strengthening fundamentals. Net sales increased 17% to \$29.1 million compared to \$24.9 million a year ago.

Year-over-year sales growth of 24% at North Cylinder more than offset the \$1.4 million reduction in sales associated with the aero engine divestiture, which closed in January of 2025.

This performance was supported by stronger intake, market share gains, and improving demand trends.

Operating profit improved from \$100,000 in Q1 of 2025 to \$2.9 million, with operating profit margin increasing to 9.8%, expanding by 940 basis points year-over-year, driven by higher sales volumes at Mount Norris Cylinder and improved fixed cost absorption.

Looking ahead, we continue to expect full-year 2026 sales growth of 3% to 6% for specialty products with operating profit margins in a range of 8% to 10%.

The ongoing recovery at Norris Cylinder is supported by stronger intake, benefits from the Made in the USA designation and the impact of our prior cost restructuring actions, all of which are contributing to improved operating performance and margin expansion.

In sum, Norris Cylinder developed a strong start to the year, demonstrating its earnings potential and contributing positively to the company's improving financial profile.

Overall, we are pleased with our start to the year. It's worth noting that Q1 was the lowest sales quarter in 2025 for both packaging and specialty product segments. And the expectation has been and remains that the year-over-year growth rates will moderate as we move through 2026 to within the full-year sales growth guidance.

And with that, I'll now turn the call back to Tom to provide details on our outlook and our future.

Thomas Snyder - *TriMas Corp - President, Chief Executive Officer, Director*

Great. Thanks, Paul.

I'd like to spend a few minutes discussing what lies ahead for TriMas, starting with our 2026 outlook on Slide 8.

First, we're reaffirming the full-year 2026 sales and margin outlook that we previously provided on February 26.

For the year, we continue to expect top-line growth of 3% to 6% based on a '25 revenue base of \$645.7 million.

We also continue to anticipate more than 300 basis points of operating profit margin improvement. Relative to the 5.3% margin we delivered in 2025.

This represents a meaningful step change in performance, driven by improved operating results across both segments and the impact of the cost reduction initiatives we have underway, which we expect to build progressively through the year.

In addition, we are providing full-year 2026 adjusted diluted earnings per share guidance. In the range of \$1.50 to \$1.70, representing a 191% increase at the midpoint compared to \$0.55 in 2025.

This reflects a significant year-over-year increase in earnings power, driven by improved operating performance, the impact of our cost reduction actions and interest income generated from the investment of divestiture proceeds.

This outlook assumes approximately \$9 million of interest income per remaining quarter and no significant changes in interest rates or redeployment of cash proceeds for the balance of the year.

Key assumptions underlying this guidance also include interest expense of \$20 million to \$22 million, a reduction in corporate cash expense of approximately \$10 million year-over-year as cost-out initiatives take hold, and an effective tax rate in the range of 27% to 29%. We also expect improvement in sales, earnings and adjusted earnings per share in each quarter of 2026 compared to the prior year, as well as

sequential increases in earnings in Q2 and then Q3 2026, reflecting continued operational momentum and the progressive realization of cost out and efficiency benefits.

Now turning to Slide 9, which outlines the levers we see for long-term value creation, the story here is fairly straightforward. We have a clear strategy and a defined playbook, and we're executing against it.

On the operational side, we are embedding Lean Six Sigma disciplines across our manufacturing footprint, standardizing systems and processes, and continuing to optimize our manufacturing network.

More than \$10 million of savings expected in 2026, reaching more than \$15 million annually, are not aspirational targets. These actions have already been taken and are progressing as planned.

Innovation is another critical pillar for our long-term growth strategy. We are accelerating customer-driven product development, expanding our portfolio of sustainable product solutions, and strengthening our engineering capabilities to move faster and more effectively.

Our focus is on driving growth in higher value, higher margin applications, particularly within life sciences and select areas of our packaging business, where we have strong customer relationships and differentiated capabilities.

From a capital allocation perspective, TriMas is in a position of strength. Following the aerospace divestiture, we ended the quarter with more than \$900 million of net cash, providing substantial flexibility to invest in organic growth and pursue targeted high-quality acquisitions.

We've repurchased approximately 4.5 million shares since the aerospace sale announcement, reflecting our balanced approach to capital deployment.

Enhancing and elevating our product offerings remain central to our strategy as we look ahead.

Packaging and life sciences represent high-quality platforms with attractive growth profiles and strong differentiation, positioning us to drive higher value growth and enhanced margins over time.

We will continue to actively manage and refine the portfolio to advance performance, elevate our strategic portfolio, and create sustained long-term value.

In summary, we delivered a strong start for the year with more than 10% sales growth, 60% adjusted earnings per share growth and 120 basis point operating margin expansion, while advancing multiple levers that support sustained momentum.

With a stronger operating foundation and meaningful capital to deploy, we believe TriMas is well positioned to accelerate performance in 2026 and beyond, deepen customer partnerships, and invest in the opportunities that create the greatest long-term value.

Thank you.

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

QUESTIONS AND ANSWERS

Sherry Lauderback - *TriMas - Vice President of Investor Relations*

Thanks, Tom. At this point, we would like to open the call to questions from our analysts.

Operator

(Operator Instructions)

Our first question comes from Hamed Khorsand with BWS Financial. Please proceed with your question.

Hamed, it looks like we lost you. If you could join back the queue, that'd be great.

We'll move over to Katie Fleischer with KeyBanc Capital Markets. Please proceed with your question.

Katie Fleischer - *KeyBanc Capital Markets Inc - Equity Analyst*

Hey, good morning, guys.

Can you talk about price cost.

Good morning.

Can you talk about some price cost expectations within packaging and remind us of at the typical lag versus commodity prices is before it flows through to the P&L?

Thomas Snyder - *TriMas Corp - President, Chief Executive Officer, Director*

Yeah, sure.

It's typical in this industry, there's usually a bit of a lag on the resin cost pass-through.

Our team has been all over this.

We have obviously a majority of our business under contract with language that recovers our costs.

We do have a variety of different term timing periods to recover that.

But the way that we've looked at this, we don't anticipate a lot of impact. There could be some headwind in the quarter.

With some delay, let's say, moving from Q2 to Q3, but overall, not all that significant. And from a full-year perspective, I feel pretty good about the price over cost recovery.

Paul, if you have anything to add to that?

Paul Swart - *TriMas Corp - Chief Financial Officer*

Katie, I would say the more prevalent contract term is quarterly.

So as opposed to monthly or other escalators, so I do think while we're not providing specifics, quarterly guidance, if you will, I do think that there is the potential because of some of the things that started to happen in March that we may not get full recovery on some of it until the.

Later in the year. So, we're kind of planning internally. We talked about margin accretion kind of from first quarter to second quarter and then from second quarter to third quarter. Part of that is premised on our cost-out actions, where we're going to get more savings in second quarter and then third quarter compared to first. Part of that is also the thinking at the moment relative to recovery timing of commodity costs, that it's likely that maybe we're a little bit short here as we move into second quarter and then begin to overcome that in third quarter.

Katie Fleischer - *KeyBanc Capital Markets Inc - Equity Analyst*

Got it. Okay, that's helpful. And then turning to packaging margins, how should we think about the cadence of improvement within that segment through the year, just given the cost savings from the facility consolidation, but then layered in with some of those mixed impacts that we saw this quarter?

Paul Swart - *TriMas Corp - Chief Financial Officer*

I would say it's very consistent with what my prior comments were, right?

I think we expected Q1 to be the lowest from a margin perspective, expected to increase sequentially as moved through the year. Obviously, there's a little bit of uncertainty in terms of the sales volumes. Sometimes Q2 is the highest sales quarter, sometimes Q3 is but I would expect that the other actions that we're taking are sufficient to where you're going to see escalation. As you move to the next two quarters, then Q4 naturally falls back a little bit, but that we'd be in line with their full-year guidance.

Katie Fleischer - *KeyBanc Capital Markets Inc - Equity Analyst*

And then just to squeeze one more in here on the mix impacts, I think I heard you say that was from tooling revenue within life sciences. Can you just give a little more detail on that and if we should see that in coming quarters?

Paul Swart - *TriMas Corp - Chief Financial Officer*

Sure. So, we had a tooling sale for a program that we're working on where we're going to ultimately putting product into production later in the year or early next year, but we sold we created and sold the tooling at a very low margin to the ultimate customer. So that really didn't provide a lot at the bottom line and wasn't inherent in what our Q1 guidance was. It was expected a little bit later in the year, so that pressured our margins here in Q1 just because of that. Significant one-time sale, if you will.

There is not another significant tooling sale that we currently have forecasted that's inherent in our guidance, so we do not expect that margin pressure to occur for the remainder of the year. Obviously, we'll update you if something changes, but that's where we stand right now.

Thomas Snyder - *TriMas Corp - President, Chief Executive Officer, Director*

Yeah, it's actually a good thing. I mean, too. I always look at these things as a leading indicator of significant improvements in sales down the road. So,

To come on that as the clock moves forward.

Operator

Okay, thanks for the questions.

We have reached the end of our question-and-answer session. I would now like to turn the floor back over to management for closing comments.

Sherry Lauderback - *TriMas - Vice President of Investor Relations*

Once again, thank you for joining us today and for your continued interest in TriMas. We appreciate your ongoing support, and we look forward to updating you on our progress next quarter.

Thomas Snyder - *TriMas Corp - President, Chief Executive Officer, Director*

Thank you.

Operator

This concludes today's teleconference. You may disconnect your lines at this time.

Thank you for your participation.

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