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PRESENTATION

Operator

Good day, and welcome to the TriMas First Quarter 2018 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.

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

Thank you, and welcome to the TriMas Corporation's First Quarter 2018 Earnings Call. Participating on the call today are Tom Amato, TriMas' President and CEO; and Bob Zalupski, our Chief Financial Officer. After our prepared remarks on Q1 results, we will open the call up for your questions.

In order to assist with the review of our results, we've 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 2946189.

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 by -- 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 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 an adjusted basis, excluding the impact of special items.

At this point, I would like to turn the call over to Tom Amato, TriMas' President and CEO. Tom?

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

Good morning, and thank you, Sherry. Before I comment on our first quarter results, I would like to take a few minutes to highlight some of the differentiating characteristics of TriMas to our current and prospective shareholders.

As shown on Slide 5, TriMas operates a diverse group of businesses, which have strong brand names and niche positions in the multi-industry end markets they serve.

We have LTM revenues of $835 million, adjusted EBITDA of $159 million or 19% of the sales. Our net leverage is 1.8x, and we have $313 million of available cash and liquidity.

During the quarter, we streamlined our operating structure and now report in 3 segments.

Our Packaging segment where we predominantly go to market under the Rieke brand, serves the health, beauty and home care; the industrial; and the food and beverage markets. Rieke had LTM revenues of $352 million and 23.7% operating margin.

Our Aerospace segment provides highly engineered and standard fasteners and machine components under the TriMas Aerospace umbrella of leading brand names. We provide our products to Aerospace OEMs through distributors and direct sales, and Aerospace Tier 1s. TriMas Aerospace had LTM revenues of $185 million and 14.3% operating margin, which after adjusting for acquisition-related, noncash intangible amortization expense would have been 19%.

Finally, our Specialty Products segment, a new segment which we formed at the end of last year, provides engineered products and assemblies to the general industrial and energy-related end markets. This segment had LTM revenues of $299 million and 10.2% operating margin.

Turning to Slide 6. Our investors benefit from TriMas' overall strategy where we leverage our experiences, resources and capital structure to unleash value across our multi-industry businesses. We do this by relying on our TriMas Business Model, which provides a standard methodology to guide each of our businesses to drive performance under optimized strategies.

We seek to ensure we have a robust pipeline of both product and process innovation to drive long-term growth and position our businesses to take advantage of market opportunities and minimize market disruptions.

We leverage our enterprise-wide resources to exploit opportunities for growth, and in our last earnings call, we provided a number of these examples.

We do all of this with a keen focus on cash conversion, which we believe provides a differentiating value proposition for TriMas' shareholders as we -- as demonstrated over the past year by earnings expansion and debt reduction, and which resulted in a much stronger balance sheet.

With this summary overview, I'm pleased to report our first quarter results.

As you can see on Slide 7, first quarter net sales were up 8.6% to $217 million with organic sales increases in all 3 segments. We did benefit positively from currency exchange by about 1.5% and also from an improved post-holiday reorder fill, which Bob will discuss further, which was about 1%.

Operating profit was up 16.9% to $28.1 million, as we convert the entire sales and continue to benefit from prior realignment actions.

Earnings per share was up 36.7% to $0.41 compared to $0.30 per share in the prior year quarter, driven primarily by operational improvements with $0.04 benefit from the lower tax rate. These are solid results for the quarter. We are pleased to carry the momentum we had at the end of 2017 into the new year.

While all of these results on this slide have been adjusted to exclude special items, I wanted to briefly comment on one of these items due to its size.

During Q1, we were able to reverse an $8.2 million legacy liability. While we do not include this favorable item as part of our adjusted results, we are pleased to put this behind us and eliminate a potential future cash risk.

Turning to Slide 8. This table highlights where we finished the quarter on LTM EBITDA, net debt, leverage and cash and available liquidity. This is an important output scorecard of the TriMas Business Model, as it tracks our cash earnings expansion against net debt and leverage.

As you can see, we have continued to strengthen our financial position. As noted earlier, we increased our LTM EBITDA to $159 million, an increase of $4.5 million compared to year-end and $12.9 million compared to the prior year quarter.

We reduced net debt by $10.5 million as compared to year-end and $79.2 million as compared to the prior year quarter. This is despite higher networking capital, mostly driven by an increase in accounts receivable due to the timing of higher sales activity.

Taking these 2 important drivers into consideration, we reduced our leverage ratio to 1.8x. Our ability to deleverage at this pace is a key attribute of TriMas, especially if we consider capital allocation-related actions.

Additionally, we finished the year with $313 million of cash and available liquidity, which positions TriMas well to execute opportunities to grow and enhance shareholder value.

The modest reduction in available liquidity is a result of an action we took to terminate our receivables credit facility, as we did not see the immediate need for this capacity given our ample current and projected liquidity.

So our first quarter was solid, and we look forward to continuing to take actions to benefit our shareholders.

With that, I'll turn it over to Bob, who will take us through segment performance. Bob?

Robert J. Zalupski - *TriMas Corporation - CFO*

Thank you, Tom, and good morning, all. As Sherry noted earlier, all my comments today will be on an adjusted basis and exclude special items.

I will begin my comments with a review of our consolidated segment performance on Slide 10. During the first quarter, we continued the trend of improvement in year-over-year sales increases with 8.6% sales growth, as all 3 of our segments grew organically. Even with the additional investment in commercial and technical resources to help drive future growth in our Packaging business, we gained further operating leverage on the incremental sales.

Our first quarter segment operating profit increased nearly 12% to $35 million, despite a less favorable product sales mix and continued pressure of higher commodity cost.

Overall, we are pleased with our financial and operating performance during the first quarter, which provides a solid foundation for another successful year in 2018.

Moving to Slide 11. First quarter net sales in our Packaging segment approximated $88 million, an increase of $7.2 million or 9% as compared to the prior year period.

We increased sales levels in each of our principal end markets served of health, beauty and home care; food and beverage; and industrial with growth in both North America and Asia.

Excluding the $2.3 million sales impact of favorable currency exchange, organic sales growth approximated 6%, driven in part by a strong sales pipeline fill with customers in the North American health, beauty and home care market.

Operating profit in Q1 2018 increased to $19.6 million as compared to $18.6 million in the prior year quarter. Packaging generated solid operating margins in Q1 of 22.2%, as the business absorbed the impact of the continued plant wrap up of its newest facility in Mexico and additional investments in commercial and technical resources aimed at accelerating future growth.

We continue to experience robust levels of quoting activity with customers relative to a significant number of new and innovative products, and we'll continue investing in the front end of our business to drive new innovative designs and product applications for sustainable long-term growth.

Continuing on Slide 12 with our Aerospace segment. Net sales for the first quarter increased slightly to $46 million compared to the year-ago period, as higher sales of machine components and continued solid demand for fasteners were partially offset by the impact of the decision to exit certain less profitable component products and the benefit realized in the first quarter of 2017 of shipments against past due orders for specialty fasteners.

First quarter operating profit of $5 million and related operating margin percentage of 11% were essentially flat with Q1 2017, as the impact of continued performance improvement actions was mitigated by a less favorable product sales mix.

Q1 is typically the lowest profitability quarter for the Aerospace segment, as we sell-through higher cost inventories from the prior year end, which result from fewer production days and lower production volumes during the holiday season. However, we expect margins to expand sequentially during the next couple of quarters consistent with our 2018 plan. Although we've achieved significant progress in our operations over the past year, we continue to pursue opportunities to improve profitability, primarily focused on our standard fastener and machine components operations.

With respect to 2018 overall, we expect underlying sales growth generally in line with forecasted industry build rates. However, in an effort to continue to streamline operations and improve margins, we are exiting up to $4 million of less profitable business, primarily in the machine components product line, which tempers our growth expectations for the year, but improves this business overall.

We will continue to focus on new product qualifications as well as cross selling our full suite of products through our OE in distribution customers, all while continuing to improve operating performance.

Turning to Slide 13, Specialty Products. As a reminder, earlier this year, we combined our Engineered Components and Energy reporting segments into a single reporting segment, titled Specialty Products.

Please see the 8-K filed on February 27 for historical quarterly information related to this segment reporting change.

Moving on to the results of our Specialty Products segment. First quarter net sales increased more than $9 million to $83 million or approximately 13% when compared to the prior year period. Sales of our oil and gas-related products increased approximately $5 million, primarily as a result of higher levels of refineries' turnaround activity as well as increased sales of wellhead products due to higher levels of drilling activity in the U.S. and Canada.

Sales of our industrial products increased by approximately $4 million, primarily due to increased demand for large high-pressure cylinders. As a result of the higher sales levels and our realignment actions, operating profit in Q1 increased $2.7 million or approximately 34% to $10.7 million.

We achieved an operating margin of 12.9%, an increase of more than 200 basis points compared to the prior year quarter, despite higher steel cost.

Our focus remains on managing the variable cost structures of each of the operations in this segment, while seeking to capitalize on share gain opportunities in response to end market demand.

We believe Norris Cylinder, Lamons and Arrow Engine are each well positioned to capitalize on the recovering energy and industrial end markets.

In first quarter, Lamons experienced an earlier and stronger start to the spring turnaround season, as customers scheduled and completed refinery maintenance activities deferred from the fall 2017 season.

Lamons is also is an experienced -- is experiencing an expected wind down of such maintenance activity early in second quarter, as refinery customers capitalize on elevated crude prices and rising gasoline prices.

Norris Cylinder also had a strong order intake in the first quarter, which we believe in part is a function of customers ordering ahead of potential impacts of steel tariffs.

So while the Specialty Products businesses are off to a strong start, it is too early to predict whether the robust order patterns experienced in the first quarter will continue for the full year.

At this time, I would like to turn the call back to Tom to wrap up. Tom?

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

Thank you, Bob. As we look at Slide 15, first quarter was a solid start to the year with growth ahead of plan. Given where we are in the year and the short-cycle nature of certain of our businesses, we are reaffirming our 2018 overall guidance. We will continue to assess progress through the second quarter, as we gain additional visibility into our end markets, particularly within Specialty Products.

With that said, we will continue to remain focused to deliver and even exceed our plan, and we'll do this by continuing to leverage the TriMas Business Model, strategically positioning our businesses to take advantage of market opportunities, seeking to accelerate long-term growth by investing in our highest value proposition product lines and we'll seek to augment our growth through strategic bolt-on acquisitions in our best performing segments and leveraging TriMas' capital expenditure like characteristic -- characteristics and our excellent cash conversion.

Turning to Slide 16. Before I open the call for Q&A, I'll end, as I typically have, with the reminder of our capital allocation priorities.

We prioritize reinvesting in our businesses for growth and performance, offsetting or paying down debt, which transfers equity value to shareholders and exploring focused M&A, share buybacks and dividends.

We would like to remind shareholders that we have previously approved authorization in place to purchase up to 50 million in outstanding shares. This authorization is an important approval with the company, particularly given our strong cash flow and balance sheet.

As you can see, we remain excited about the prospects for TriMas and are pleased to have begun the year with positive momentum.

Thank you for listening, and we will now turn over the call to the operator for Q&A. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We will go first to Steve Barger with KeyBanc Capital Markets.

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

This is actually Ken Newman on for Steve. First Question is on the packaging incremental margins. They were a bit weaker than we were modeling in the quarter just given the strong revenue growth. You talked about the impact of plant capacity. Just curious if you help us think about the impacts to EBIT this quarter and how does that flow through the year? And how should we think about the cadence of margins improving as the year progresses?

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

So as we look at the performance for the quarter, we saw generally in line with our plan. We were pretty pleased with the results. We did as we've talked about at the end of last quarter, and Bob talked about in his comments, we have been adding some costs into our business as we pursue additional growth opportunities and add capacity. So I think, as far as going forward, we put out some guidance before. We're still holding in that range. We're pleased that we're off to such a great start, and hopefully, we'll be at the higher end of that or better.

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

Okay. So I guess as a follow-up. So just a quick clarification on the guidance. The -- does the maintain consolidated guidance imply that there is no change at this segment level that you gave last quarter?

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

No. No, it is not. The maintain is at the corporate level.

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

So I guess, given that any color that you can give in terms of sales projections, are you willing to give any projections for sales growth in Packaging, just given that you had such a great quarter in 1Q? I think you had projections for 3% growth in 2018 in Packaging. Just trying to get a better sense of how we should think about some of these new products and robust quoting activity coming through?

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

Yes, let me give you additional color on that. And I would try to be careful in some additional color on Specialty Products as well. We do have within our Specialty Products, a group, a number of businesses are just shorter cycle in nature. It's hard for us to get visibility into the year. We see crude pricing that is higher, which may mean some refineries will take advantage of getting an early start on summer, which might mean a slow -- slower turnaround, which might mean some deferrals into later this year in terms of MRO spending. With respect to our Packaging business, we're off to a great start. We see solid order intake. We like the pull-through that we're getting. But net-net, because of the shorter cycle of the Specialty Products business at this point, we thought it would just be better for us to get one more quarter under our belt before we made any changes on our guidance.

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

Got it. And then, I guess, just one more for me and then I'll get back into the queue. As a follow-up to Packaging, I mean, any commentary you could talk about the regional sales strength within that segment? the were some headwinds from weaker North American health and beauty in past quarters. Just any kind of color you could give in terms of some of the larger projects that you're bidding for?

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

Yes, look, continue to see solid progress on some of the programs that we're bidding on. Regionally, we continue to see a pretty healthy Asia. U.S. has been nice for us this quarter, so we're happy to see a little bit of a tick up there. Europe is a little bit softer, but we think it's more specific to certain customers in certain products that they sell. Nothing that I would be too concerned about. It's more just temporal. But net-net, almost across the board, we had some good regional activity within our Packaging segment.

Operator

We'll go next to Scott Graham with BMO Capital Markets.

Robert Scott Graham - *BMO Capital Markets Equity Research - Analyst*

Couple questions for you. Could you -- I'm assuming that the Aerospace sales growth was all organic, but that might not be the case for Specialty Products. Was there any currency in Specialty Products?

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

There's very minor, Scott. Less than $1 million.

Robert Scott Graham - *BMO Capital Markets Equity Research - Analyst*

Okay, great. And when you guys say that oil and gas sales were up [this] and industrial was up that, is that directly corresponding to the old Energy and Engineered Components businesses, respectively?

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

No. Industrial would be Norris Cylinder and oil and gas would, in essence, equate to Lamons and the Arrow Engine business.

Robert Scott Graham - *BMO Capital Markets Equity Research - Analyst*

Okay. That's -- got you. And could you kind of quantify the -- I know what you're looking to exit for on the year, your guidance there. But you -- could you quantify the Aerospace exit this quarter?

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

No. We did not quantify the dollar impact of business that we're exiting. On an annual basis, it's in the -- an approximate range of $3 million to $4 million.

Robert Scott Graham - *BMO Capital Markets Equity Research - Analyst*

Okay. Fair enough. And then, I know these are all housekeeping things, but for a company of your size, you're pretty complicated. The other thing I was wondering about was price cost, and this is maybe my bigger question. I'm assuming that part of the reaffirmation of the guidance as opposed to an incremental raise of the guidance was: a, that we're still in the first quarter, but b, price cost is probably going to get you more in the second quarter than it did in the first quarter. Is that a fair statement?

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

I don't think, necessarily. I mean, while certainly there are cost pressures, particularly as it relates to steel, it varies by business and segment in terms of what we're able to recover through pricing. And generally speaking, I think in the Packaging segment, there's a little better capability to recover pricing versus, for example, in our industrial business within Specialty Products that is more sort of situation-specific both with customers and type of product.

Robert Scott Graham - *BMO Capital Markets Equity Research - Analyst*

Understood. Then by extension, if I may, my final question, I'll get back in the queue. Did you increase prices in all 3 segments in the first quarter?

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

For certain products here and there we did, but net-net, it was not a large campaign. So it's sort of buy product by end market. It's not quite that generic that we can make a comment like that.

Robert Scott Graham - *BMO Capital Markets Equity Research - Analyst*

Not even in Norris, which is a little more steel-sensitive?

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

Yes. We are doing what we can commercially to balance steel cost pressures with our customer base.

Operator

We'll go next to Sam Eisner with Goldman Sachs.

Samuel Heiden Eisner - *Goldman Sachs Group Inc., Research Division - VP*

So I was wondering, I recognized that you're reaffirming your guidance. I saw -- or I did not see in the slides, you guys talked about the segment-level guidance or maybe I missed that, is that also reaffirmed? I think you have some margin targets out there on a per segment basis. I just want to make sure those are not changing either.

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

We reaffirmed at the corporate level. Didn't address segment level.

Samuel Heiden Eisner - *Goldman Sachs Group Inc., Research Division - VP*

Can you?

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

We'll do it next quarter.

Samuel Heiden Eisner - *Goldman Sachs Group Inc., Research Division - VP*

Okay, interesting. So just going, I guess, back to the Packaging segment. The fact you had a pretty strong quarter out of the gate here in the first quarter, when you look out through April, is your conservatism on Packaging, as it stands today, a function of what you're seeing in April? Or is it really that you just don't want to update it at this point in time? I guess, what I'm trying to understand is, is it truly conservatism or you're seeing something in your business today that's giving you pause?

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

We're probably more conservative on Specialty Products at this point in the year because of the short-cycle nature of the businesses that are in that segment.

Robert J. Zalupski - *TriMas Corporation - CFO*

Yes, when we look at Packaging overall, say on the order intake levels that we have visibility to, which is kind of 30 to 60 days, are still trending favorable, perhaps not as strong as first quarter activity where, again, we think we did benefit from some newer programs and pipeline fill post-holiday season. But it's hard to see beyond Q2 in terms of that order book. And that's one of the reasons why we will reevaluate the guidance question, as we sort of closeout that second quarter and then have some -- at least some visibility at that point into rest of the year.

Samuel Heiden Eisner - *Goldman Sachs Group Inc., Research Division - VP*

And to that point, is there a way when you look back over the last 3 years in the first quarter, how much of -- it sounds like you're calling out a pre-buy based on material inflation. Is there any way to actually get some numbers with some clarity on how much this order will pre-buy benefit your Specialty Products segment on both a revenue and earnings business?

Robert J. Zalupski - *TriMas Corporation - CFO*

I'm sorry, pre-buy on Specialty Products. No, there really isn't because that is more anecdotal in terms of discussions with our customers and markets as opposed to -- we, obviously, can't bifurcate our sales intake between what might be early buy versus normal recurring. I mean, volumes are up significantly in the industrial business though.

Samuel Heiden Eisner - *Goldman Sachs Group Inc., Research Division - VP*

Got it. Maybe just lastly, just going back to Packaging, the profit drive from the Mexico facility, can you remind us, again, how much that is expected to be in 2018? How much that was a drag either on a dollar basis or on a percentage of margin basis in the first quarter?

Robert J. Zalupski - *TriMas Corporation - CFO*

Yes. We haven't disclosed that number specifically, but I would tell you that the amount is not overly material. We're probably talking less than $1 million in terms of the quarter.

Operator

We'll go next to Andrew Casey with Wells Fargo.

Christopher G. Laserinko - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

This is Chris Laserinko on for Andy. I wonder if you could kind of disaggregate the price cost a little bit for us into price realization in terms of kind of organic increases? And then cost on the side of maybe raw materials versus freight?

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

Look, generally speaking, as we look at cost increases, we seek to offset them with savings in price where we can and in the areas where we don't have contracts in place. I think that's all. We pretty much have given, Bob, publicly about pricing actions. Again, these are commercial strategies that we don't talk too much publicly about.

Christopher G. Laserinko - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

And then, if I could piggyback on that. The customers that you're dealing with that -- are a little bit slower to recognize price increases. Is that because of long-term contracts? Or is that more specific to the situation?

Robert J. Zalupski - *TriMas Corporation - CFO*

Generally speaking, it is market driven. There are a few businesses where we have longer-term agreements, and there, prices are set, and pass-through mechanisms are known and agreed to. But that's in a relatively smaller portion of our business. Some elements of that exist with Packaging. Some of our -- certain of our major Packaging customers and then couple of the major Aerospace customers.

Christopher G. Laserinko - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Okay. And then, as my follow-up, I wonder if I could come poke a little bit at Aerospace. You're exiting some of the less profitable businesses, is that contract-driven or is it product-driven? And then within that, because margin has been relatively slow to respond, is there -- is that just a timing difference between exiting the business and kind of bleeding off the deliveries?

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

Well, I'll answer the first part. Bob -- it is just for a timing and getting through the quarter as Bob mentioned. We had -- we took the action to optimize our production capabilities -- our production capacity and capabilities, and we started that process a little over a year ago when we evaluated our Aerospace business at the end of '16. Much of what we're talking about exiting relates to machine components. In fact, a very little is fastener, and if it's fastener, it's on the standard fastener side. So it was not programs that were falling off contracts. It was something when we approach the customer and we said, look, this doesn't fit our equipment in the best way, and it's probably better to be made by somebody else. And we went through a long process and did that and it was collaborative. And we're starting to see and we'll continue to see the benefit from that action.

Operator

We'll go next to Matt Koranda with Roth Capital.

Matthew Butler Koranda - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Just wanted to start with the Specialty Products growth. And just see if I could kind of tie it up in terms of parsing out what were the main drivers of growth in that segment. So I understand it from your answers to some of the questions and prepared remarks. It sounds like Norris probably drove roughly $4 million of the growth you saw year-over-year. FX might have been about $1 million or less. Could you just help us understand between Arrow and Lamons, sort of, what were the other incremental drivers of growth to the segment?

Robert J. Zalupski - *TriMas Corporation - CFO*

Well, Arrow, as you know, Matt, is a relatively small component of our businesses overall. And as it relates to Specialty Products, if you think about the oil and gas-related increases, a lot of that was -- the majority of that was driven by an earlier and, what I would call, maybe a little stronger start to the spring turnaround season as a result of delays or deferrals that happened last fall as a result of hurricane impacts. So there is clearly a little bit of catch up there, and we were able to capture our fair share of that higher end market demand in terms of turnarounds.

Matthew Butler Koranda - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Okay, got it. So Lamons was the -- basically, the driver beyond the (inaudible) from Norris, okay. And then, just wanted to shift gears to Aerospace and the margin profile there this quarter. I guess, the confusion for me is if you guys are not providing segment-level guidance, I'm not sure how to interpret the margin ramp for that segment for the remainder of the year. So if you're -- if you were sticking by the segment expectations of, sort of, 15% to 17%, I guess, even at the low end, that would imply a pretty good margin lift for the remainder of the year. So is that sort of what we should anticipate for the year? And then, maybe you could talk about mix or pricing tailwinds that you would anticipate for the remaining quarters here?

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

Yes. You are correct. And that's the way we see the business and our plan. That was our plan for the year. And we're -- we expect to see that rolling out. Bob, you want to comment, again, on the first quarter sort of drag that was anticipated in part of our plan.

Robert J. Zalupski - *TriMas Corporation - CFO*

Yes. And again, that goes back to some higher cost inventories we need to sell through that originate, kind of, in fourth quarter where we have fewer production days and lower volumes due to the holidays. But if you look at the profile of earnings or profitability sequentially in that business, Matt, the trends that you would have seen in the prior year 2017 are pretty consistent with how we would look at and plan for 2018.

Matthew Butler Koranda - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

And then, anything to consider in terms of incremental pressure from raw materials in Aerospace?

Robert J. Zalupski - *TriMas Corporation - CFO*

No, not really. It hasn't been a significant factor at least to date that we've witnessed in that business.

Matthew Butler Koranda - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

And then, lastly just an update on Packaging and the M&A pipeline there, if you could provide just your latest thoughts in terms of what you're seeing on that front? That would be helpful.

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

We continue to see some interesting businesses come to market. We expect some interesting businesses to come to market. As they -- as we've spoken about before on the call and with Q&A, we like the work we did throughout the past year to get our balance sheet in good order. So as we see strategic opportunities that would fit and augment our Rieke business, we could participate and pursue them. Nothing to report on, nothing eminent, but we are staying very close to the market.

Operator

We'll go next to Scott Graham with BMO Capital Markets.

Robert Scott Graham - *BMO Capital Markets Equity Research - Analyst*

Thank you, my question was answered.

Operator

We'll go next to Steve Barger with KeyBanc Capital Markets.

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

This is Ken. Thanks for the follow-up here. I just wanted to hit back on the Packaging margin really quick. I appreciate the fact that you're not giving updated segment guidance here, but just given the fact that Packaging accounts for anywhere from starting to 80% of our consolidated EBIT for any given quarter, I'm just trying to get some confidence that maybe 1Q '18, I know, is usually the seasonally weakest quarter of the year, but do you have any confidence that this is -- that margins should improve from this level sequentially into 2Q? Or should we expect that this is the run rate that we should be going forward with?

Robert J. Zalupski - *TriMas Corporation - CFO*

Well, again, historically this business has operated kind of in the 22%, 24% sort of operating profit margin. It ebbs and flows by quarter based on specific matters that might occur in a given quarter or versus the profile of where the sales are generated and in what vertical. I would just liken it to remaining in that range. And we're, obviously, going to take advantage or capitalize on opportunities where we can to improve it.

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

Got it. So there is really no -- there's nothing you see within your pipeline or within the horizon that would push operating margins below that legacy 22% to 24% you've seen in the past?

Robert J. Zalupski - *TriMas Corporation - CFO*

No. Not at this time.

Operator

(Operator Instructions) We'll go next to Sam Eisner with Goldman Sachs.

Samuel Heiden Eisner - *Goldman Sachs Group Inc., Research Division - VP*

Yes. Appreciate you allowing me for some follow-up question here. Just quickly going back to the Specialty segment. So you guys last year generated about 63%, 65% of overall profits for Specialty within the first half of the year. I'm just trying to understand cadence of this business. Is that the right way you think about the seasonal dynamics of this business going again this year? Or is there something special about last year that I shouldn't be thinking that 2/3 of your profits are in the first half of the year?

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

Yes. The only challenge with last year we have to consider is there was a hurricane in the Gulf. And that disrupted -- we believe that disrupted activity. Also, we believe delayed some of the activity to this year. We -- remember our thesis going into the year on one of the businesses in Specialty Products was we would have a robust -- a more robust turnaround season. And we're pleased to report that we did because that's good. Now interestingly, I mean, with the dynamic of higher crude prices, those same customers, they're capitalists, they want to take advantage of the higher crude prices so they're trying to get ahead on their -- we believe they're trying to get ahead under summer selling season and the refineries are -- turnarounds are not occurring as we think. So that could change things a little bit on our back end this year. It's hard to do a copy, paste on parts of those businesses with the Specialty Products.

Samuel Heiden Eisner - *Goldman Sachs Group Inc., Research Division - VP*

Got it. And then just a follow-up there. Just what do you guys anticipate? Or what is the right way for this business to leverage going forward in terms of incremental margin? Is this is a 25%, 30%, 40%? I mean, you did nearly 60% this quarter. So I'm trying to understand what the right way of thinking about incremental margins or contribution margins for this business?

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

Pretty good at (inaudible).

Robert J. Zalupski - *TriMas Corporation - CFO*

Yes. And clearly, the Q1 conversion on the incremental sales is coming off of a much lower baseline, if you will, from Q1 of '17, Sam. So I would expect some moderation as we move through the year. In terms of that conversion rate, I would say that if it settles in kind of in that 30% range, that would be probably a reasonable way to think about it.

Operator

We'll go next to Rajat Gupta with JPMorgan.

Rajat Gupta - *JP Morgan Chase & Co, Research Division - Research Analyst*

Sorry, just to get back on the price cost dynamic here. I believe -- can you give us a sense of what your -- how you will hedge steel, especially within Norris Cylinder business? Or can you just give us some visibility of how much of your commodity cost typically locked-in heading into a quarter? I mean, is it like 3 months or like 6 months? Or can you just give us a rough sense? I'm just trying to get a sense of how the inflation dynamics could hit you more in the second half of this year, especially in Norris.

Robert J. Zalupski - *TriMas Corporation - CFO*

Yes. We do not, as a matter of practice, hedge our steel purchases. Generally speaking, what we do in steel is extend out quantities as far as we're able to do it. And it will vary. It could be anywhere from 3 to 6, in some cases depending on the type of steel maybe 9 months. Typically, not longer than that. And it's just based on agreed to purchase order prices. In terms of Norris specifically, in Q1 compared to the prior year, we saw higher cost in the neighborhood of 6% to 7%. But if you look at those same cost levels in Q1, they were pretty consistent with what we ended last year with. So it's not as if they're getting worse, it's just that as we move through the year, there is uncertainty going on with tariffs and what's going to happen there in terms of how that affects the cost of domestically produced steel. But as we move through the year, the cost curve, if you will, should catch up to an increasing cost curve that we experience as we moved through '17. So the impact on a comparable basis year-over-year in subsequent quarters should [less] than what we saw in Q1.

Rajat Gupta - *JP Morgan Chase & Co, Research Division - Research Analyst*

That's a great color. Just a follow-up, just moving to the capital allocation side. I mean, you highlighted the buyback authorization, like, is that kind of an indication that we would -- we should expect something later in the year? Or would that more be toggled around based on what happens on the fundamental side of things?

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

Yes. Look, I think we've talked about this for quite a while. We're very pleased with the position of our balance sheet at this time. We exceeded, as noted in our last call, our target leverage ratio. So it gives us incredible opportunity. So we sort of look at M&A opportunities and buyback equally, and we'll have to see. So we'll look at opportunities as we proceed through the year. And balance those 2 opportunities that are now available to us, frankly, because we've been managing the business well.

Operator

We'll go to Andrew Casey with Wells Fargo.

Andrew Millard Casey - *Wells Fargo Securities, LLC, Research Division - Senior Machinery Analyst*

Just a couple quick follow-ups. You mentioned that you're, as part of the TriMas Business Model, looking to implement both product and process innovation drive. Can you discuss maybe some of the -- a larger example of the process side of that and comment on any incremental things that you're looking to do over the next 12 months in terms of those processes?

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

Yes. I -- first of all, thank you for the question because that really is something that we focus on every day that we operate here at TriMas. We have a number of critically important cost savings initiatives that are smaller in nature to some a little bit more higher impact. But when we stack it all up, that allows TriMas to be competitive, offset cost pressures and drive the performance of our business. So in any particular plant at any time, we're likely implementing process improvements through Kaizen, and in some cases, some of our equipment purchases go to modified equipment that takes operational steps out. So this is very core to the TriMas Business Model. And we think, as you look back, particularly, over the past 18 months in TriMas was -- one of the biggest drivers to our turnaround was our focus and -- focus on the factory floor. So that's why we often talk externally about product innovation, but we like our shareholders to also know the amount of attention that we're giving to process innovation. And as you walk through our plants, you would see some pretty fascinating operations.

Andrew Millard Casey - *Wells Fargo Securities, LLC, Research Division - Senior Machinery Analyst*

Okay. And as part of a follow-up, just looking at working capital quickly on the balance sheet. Do you expect to buoy down to kind of a more average level through the remainder of the year? Or looking at the -- your visibility through the next quarter or 1.5 quarter, do you expect to build a little bit on the inventory receivable side of the balance sheet since you [worked] through some of the inventory this quarter?

Robert J. Zalupski - *TriMas Corporation - CFO*

Yes. I would expect us to bleed down that working capital level somewhat from where we ended Q1. It clearly was higher as a result of receivables, mainly, in terms of the timing of the incremental sales that we had. It was stronger in the second half of the quarter than the first half and given the terms that exist across most of our customers that led to higher receivables balances at the end of the -- end of March.

Operator

There are no other questions at this time.

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

Look, I'd like to thank everyone for their time this morning. Again, we're very excited about the start to our year. And as I mentioned in my report out of the performance, we're hopeful and optimistic that we can carry this forward and continue our progress at TriMas. So thanks everyone for their time.

Robert J. Zalupski - *TriMas Corporation - CFO*

Thank you, everyone.

Operator

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