



## AIRBOSS OF AMERICA CORP.

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NEWS RELEASE

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### AIRBOSS ANNOUNCES 2<sup>nd</sup> QUARTER 2017 RESULTS AND DIVIDEND

#### Quarterly Highlights:

(In US dollars unless otherwise noted)

- Quarterly dividend paid of C\$0.07 per common share
- Basic and diluted EPS of \$0.14 per common share
- Volume for the Rubber Solutions segment increased by 18.1% compared to 2016

(In thousands of US dollars)	Three Months ended June 30		Six Months ended June 30	
	2017	2016	2017	2016
Net Sales	<b>73,877</b>	67,455	<b>143,804</b>	137,922
Gross profit	<b>11,768</b>	13,073	<b>22,864</b>	26,237
EBITDA <sup>(1)</sup>	<b>7,419</b>	8,836	<b>14,432</b>	18,065
Net income	<b>3,180</b>	4,965	<b>6,056</b>	9,306

(In US dollars, except shares)

Net income per share (EPS)

-Basic	<b>0.14</b>	0.22	<b>0.26</b>	0.40
-Diluted	<b>0.14</b>	0.21	<b>0.26</b>	0.39

Common shares outstanding (millions)

-Basic	<b>23.1</b>	23.1	<b>23.1</b>	23.0
-Diluted	<b>23.5</b>	23.6	<b>23.5</b>	23.6

#### **Dividend**

The Board of Directors of the Company has approved a quarterly dividend of CAD \$0.07 per common share, to be paid on October 13, 2017 to shareholders of record at September 29, 2017.

#### **Consolidated Results**

In the second quarter of 2017, the Company continued to realize the benefits that began in the first quarter from its ongoing investment in people and in its infrastructure and processes, achieving stronger net sales and EBITDA that were driven primarily by improvements in the Rubber Solutions segment. Consolidated net sales in the quarter of \$73,877 increased 9.5% compared to the second quarter of 2016, and year-to-date net sales of \$143,804 were up 4.3% over 2016, as increased sales at Rubber Solutions offset decreases at Engineered Products. Consolidated gross profit for the quarter and year-to-date was down 10.0% and 12.9%, respectively, from 2016, reflecting the lower net sales in Engineered Products that offset gains in Rubber Solutions. EBITDA in the second quarter was down 16.0% from Q2 2016, but reflected a 5.8% increase from the first quarter and continuing significant improvement from the level in Q4 2016. The Company exited the second quarter with cash and cash equivalents of \$21,606, and has strengthened its net debt to capital to 30.6% from 34.9% over Q2 2016.

## Segment Results

At Rubber Solutions, net sales increased by 25.5% (to \$32,525) in the quarter and by 18.3% (to \$63,384) year-to-date, from the comparable periods in 2016. The increases were driven by increased overall volume (measured in pounds shipped) of 18.1% for the quarter and 8.0% year-to-date, and by increased raw material costs of 21.4% for the quarter and 11.4% year-to-date (which resulted in price increases to customers). The increase in net sales for these periods was reflected in several sectors, with particular strength in off-the-road (“OTR”), infrastructure and track.

Non-tolling volumes increased 12.5% in the second quarter compared to 2016, marking the second consecutive year-over-year quarterly increase, while tolling volumes increased 75.5% in the same period, driven by an increase in conventional tolling applications. Year-to-date, non-tolling volume increased 11.9% over 2016, while tolling volume decreased 13.5% in the same period due to the decline in the first quarter in conventional tolling applications.

Gross profit at Rubber Solutions for the second quarter and year-to-date was slightly higher compared to 2016, at \$5,575 and \$11,249, respectively. Higher net sales and the absence of the negative productivity impacts experienced in the first half of 2016 (related to the 2015 transfer of production from the former Vermont facility to the Acton Vale, Quebec facility) were partly offset in the second quarter by higher raw material costs, increased raw material price volatility (which impacted our timing and ability to fully align input cost increases with customer price increases) and, in some cases, availability of certain specialty raw materials. As a percentage of net sales, gross profit in the second quarter was 17.1%, down from 21.3% in the comparable period in 2016, and year-to-date was 17.7%, down from 20.3% in 2016.

At Engineered Products, net sales for the second quarter and year-to-date decreased by 0.4%, to \$41,352, and by 4.6%, to \$80,420, respectively, from the comparable periods in the prior year. Increased net sales in the defense business were more than offset by decreases in the automotive business in these periods.

Net sales in the automotive business decreased in the second quarter and year-to-date by 8.7% and 8.3%, respectively, compared to 2016. As previously disclosed, these relative decreases were largely in the bushings and boot product lines as a result of customer specification changes that led to reduced net sales for those parts, and in muffler hangers as a result of the completion of a large program in the second half of 2016. These lower net sales were partly offset by increased demand in dampers and induction bonding applications.

Net sales in the defense business increased 64.1% in the second quarter of 2017 over last year, primarily in the extreme cold weather boot (“ECW”) and glove product lines. Year-to-date, net sales increased 21.4% compared to the comparable period last year, driven by increases in ECW, gloves and shelter product lines. These higher net sales were partly offset by a decrease in over-boots, following the completion of a contract with final shipments in the first quarter of 2016, as previously disclosed.

As a result of lower net sales at Engineered Products, gross profit declined to \$6,193 for the second quarter (15% of net sales), compared to \$7,561 (18.2% of net sales) in 2016 and year-to-date, declined to \$11,615 (14.4% of sales), compared to \$15,369 (18.2% in 2016).

## Overview and Outlook

Management is encouraged to see the positive trends that began in the first quarter of 2017 continuing in the second quarter.

At Rubber Solutions, the continued improvement in volume reflects our efforts to diversify our customer base and product offerings, supported by a strong development pipeline. These efforts will continue throughout 2017. In particular, our niche tolling is proceeding on plan and we expect to ramp up to commercial volumes in another niche tolling program in the second half of the year. Raw material price volatility in the first half of the year impacted pricing strategies, resulting in some pressure on gross profit at Rubber Solutions. In addition, customers in the OTR market have also become increasingly price sensitive as a result of the inflow of lower cost products in the re-tread market from offshore suppliers. This is expected to pressure our OTR pricing in the remainder of 2017.

While the Company is taking steps to address these issues, and notwithstanding these challenges, management expects overall volume levels for the second half of the year to be similar to the first half. We will continue to aggressively pursue new customers and to invest in compound development and customer trials in order to acquire incremental volume, while implementing measures to protect gross profit margins.

Within Engineered Products, the automotive business continues to add bench strength in key areas and to invest in improved processes, while gaining traction in its efforts to pursue new multi-year programs to replace programs that have expired or are near the end of their platform life. However, as previously mentioned, efforts to pursue new programs are necessarily focused on platforms that start production in 2018/19 or later, and will likely not have a significant impact on near term results. We expect net sales in the automotive business for the second half of 2017 to be at similar levels to the first half of the year. In our

defense business, we are pleased that the positive signs in the global defense market that had been accumulating for the past few months are starting to translate into firm orders in several product lines. The increase in net sales on a year-over-year basis in the first half of 2017 is encouraging, and the rate of inquiries and potential tendering activity remains steady. As is common in the space, the sales revenue that may result from such increased activity will not necessarily be realized in the short term.

We see positive indications for defense in the second half of 2017 and into the first quarter of 2018, including the recent receipt of our first firm order from a large foreign military for our new Low Burden Mask (“LBM”) and the commencement order for production under a previously delayed filter contract.

The initial positive results from our internal investments seen in the first quarter have continued into the second quarter of 2017. Our strong financial position will allow us to continue the required investments to optimize the business and also allow us to consider future acquisitions or other growth opportunities.

Contact: Lisa Swartzman, President or Gren Schoch, CEO at 905-751-1188.

A conference call to discuss the quarterly results is scheduled for 8:30 a.m. Eastern on Wednesday, August 9, 2017. Please go to <http://www.gowebcasting.com/8491> or dial in to the following numbers: 416-340-2220 or Toll Free: 1-866-225-6564. Direct Replay Access number: 905-694-9451 or Toll Free: 1-800-408-3053, pass code: 5409908.

AirBoss of America Corp. is a group of complementary businesses using compounding technology and engineering expertise to create value for its customers. With a capacity to process approximately 400 million turn pounds of rubber annually, AirBoss Rubber Solutions is one of North America’s largest custom rubber compounders and a leading supplier of essential calendered and extruded products for a broad range of applications. AirBoss Engineered Products is a world leader in the supply of life saving products for the military and a leading supplier of innovative anti-vibration solutions to the North American automotive market. The Company’s shares trade on the TSX under the symbol BOS. Visit [www.airbossofamerica.com](http://www.airbossofamerica.com).

*Note (1): Non – IFRS Financial Measures: EBITDA does not have any standardized meanings prescribed by IFRS. Such measure is neither required by, nor calculated in accordance with IFRS, and therefore is considered a Non-IFRS financial measure. The Company discloses EBITDA, a financial measurement used by interested parties and investors to monitor the ability of an issuer to generate cash from operations for debt service, financing working capital and capital expenditures and paying dividends. It should not be considered as an alternative to, or more meaningful than net income (or any other IFRS financial measure) as an indicator of the Company’s performance. Because EBITDA excludes some, but not all, items that affect net income, the EBITDA presented by the Company may not be comparable to similarly titled measures of other companies. A reconciliation of EBITDA to net income is presented below.*

In thousands of US dollars	Three months ended		Six months ended	
	June 30		June 30	
	2017	2016	2017	2016
Net income	3,180	4,965	6,056	9,306
Finance costs	781	633	1,513	1,507
Depreciation and amortization	2,720	2,545	5,394	5,119
Income tax expense	738	693	1,469	2,133
EBITDA	7,419	8,836	14,432	18,065

**FORWARD LOOKING STATEMENT DISCLAIMER**

*Certain statements contained or incorporated by reference herein, including those that express management’s expectations or estimates of future developments or AirBoss’ future performance, constitute “forward-looking statements” within the meaning of applicable securities laws, and can generally be identified by words such as “will”, “may”, “could” “expects”, “believes”, “anticipates”, “forecasts”, “plans”, “intends” or similar expressions. These statements are not historical facts but instead represent management’s expectations, estimates and projections regarding future events and performance.*

*Forward-looking statements are necessarily based upon a number of opinions, estimates and assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies. AirBoss cautions that such forward-looking statements involve known and unknown contingencies, uncertainties and other risks that may cause AirBoss’ actual financial results, performance or achievements to be materially different from its estimated future results, performance or achievements expressed or implied by those forward-looking statements. Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation: impact of general economic conditions; its dependence on key customers; cyclical*

*trends in the tire and automotive, construction, mining and retail industries; sufficient availability of raw materials at economical costs; weather conditions affecting raw materials, production and sales; AirBoss' ability to maintain existing customers or develop new customers in light of increased competition; AirBoss' ability to successfully integrate acquisitions of other businesses and/or companies or to realize on the anticipated benefits thereof, changes in accounting policies and methods, including uncertainties associated with critical accounting assumptions and estimates; changes in the value of the Canadian dollar relative to the US dollar; changes in tax laws and potential litigation; ability to obtain financing on acceptable terms; environmental damage caused by it and non-compliance with environmental laws and regulations; potential product liability and warranty claims and equipment malfunction. This list is not exhaustive of the factors that may affect any of AirBoss' forward-looking statements.*

*All of the forward-looking information in this press release is expressly qualified by these cautionary statements. Investors are cautioned not to put undue reliance on forward-looking statements. All subsequent written and oral forward-looking statements attributable to AirBoss or persons acting on its behalf are expressly qualified in their entirety by this notice. Forward-looking information contained herein is made as of the date of this press release and, whether as a result of new information, future events or otherwise, AirBoss disclaims any intent or obligation to update publicly these forward-looking statements except as required by applicable laws. Risks and uncertainties about AirBoss' business are more fully discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2016 Annual Report to Shareholders under the heading "Risk Factors".*