



AIRBOSS OF AMERICA CORP.

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NEWS RELEASE

March 12, 2019

AIRBOSS ANNOUNCES 4th QUARTER AND FULL YEAR 2018 RESULTS AND DIVIDEND

(US\$ except where otherwise noted)

Highlights:

- AirBoss Defense, the defense products line of Engineered Products, was awarded four contracts expected to be worth up to an aggregate amount of US\$122.0 million to manufacture protective personal equipment for the Canadian, U.S. and Australian defense forces
- Net debt decreased by US\$6.4 million
- Earnings per share of US\$0.37 per common share outstanding
- Quarterly dividend paid of C\$0.07 per common share for a total annual payment of C\$0.28

(In thousands of US dollars)	Three months ended December 31		Twelve months ended December 31	
	2018	2017	2018	2017
Net Sales	76,484	74,214	316,603	289,855
Gross profit	10,306	11,562	44,991	44,520
EBITDA ⁽¹⁾	5,732	6,846	25,675	27,653
Net income	1,331	3,772	8,536	12,632
(In US dollars, except shares)				
<u>Net income per share (EPS)</u>				
-Basic	0.06	0.17	0.37	0.55
-Diluted	0.06	0.16	0.37	0.54
<u>Common shares outstanding (millions)</u>				
-Basic	23.4	23.1	23.3	23.1
-Diluted	23.4	23.5	23.4	23.5

Dividend

The Board of Directors of the Company has approved a quarterly dividend of C\$0.07 per common share, to be paid on April 15, 2019 to shareholders of record as of March 29, 2019.

Full Year Results

Consolidated net sales increased by 9.2% from 2017, to \$316,603, with increases in both segments. Consolidated gross profit increased by \$471 to \$44,991 compared to 2017, with increases in gross profit in Rubber Solutions partially offset by decreased gross profit in Engineered Products. Gross profit as a percentage of net sales decreased to 14.2% from 15.4%, primarily as a result of higher input costs, particularly with respect to rubber, maintenance, labour and training and in the case of Engineered Products, lower net sales combined with increased steel costs as a result of the tariffs introduced by the United States. Compared to 2017, consolidated net income declined by 32.4% in 2018 to \$8,536, due to higher operating expenses and higher income tax rates. Consolidated EBITDA for 2018 decreased by 7.2% to \$25,675 as compared to 2017.

The Company remains in strong financial condition. With year-end cash and cash equivalents of \$17,862, an undrawn revolving credit facility of \$60 million and a net debt to EBITDA ratio of 1.76x, the Company enters 2019 with significant resources with which to pursue organic and acquisitive growth opportunities.

In addition, the Company renewed its normal course issuer bid for its common shares in 2018, pursuant to which the Company may re-purchase up to 1,283,497 of its common shares (representing approximately 10% of the Company's public float of 12,834,979 common shares as of November 20, 2018).

Fourth Quarter

Consolidated results

Consolidated net sales in the fourth quarter increased by 3.1% to \$76,484 compared to the same period in 2017, with increases in Rubber Solutions partially offset by decreases in the Engineered Products segment. Consolidated gross profit decreased by \$1,256 to \$10,306, as increases in Rubber Solutions were more than offset by lower gross profit in both businesses of the Engineered Products segment. Consolidated net income decreased to \$1,331 as a result of lower gross profit and higher income taxes relative to the comparable period in 2017, which included a \$956 benefit resulting from the Tax Cuts and Jobs Act introduced at the end of 2017.

Segment Results

At Rubber Solutions, net sales increased by 13.9%, to \$35,584 compared to the same period in 2017, as a result of increased raw material prices that resulted in price increases to customers and a 14.8% increase in volume (measured in pounds shipped) compared to the same period in 2017. The increase in net sales for the three month period ended December 31, 2018 was across the majority of the sectors and primarily in the conveyor belt, track and off the road ("OTR") segments. As a result of the increase in net sales, gross profit increased by \$1,028, to \$6,066.

At Engineered Products, net sales decreased by 4.8%, to \$40,900, compared to the same period in 2017 as a \$2,481 decrease in net sales for the defense business was partly offset by a \$402 increase in the automotive business. The decrease in the defense business was largely in the filter product line as a result of increased shipments in the second half of 2017 following the fulfillment of a previously delayed contract due to customer-specific changes, as well as lower glove and shelter sales. In the automotive business, increased net sales resulting from higher demand in the bushings, grommets and induction bonding product lines were partly offset by softness in the dampers product lines.

Outlook

The Company is starting to see accelerated improvements from the ramp up of the AirBoss Operating System, particularly in Rubber Solutions. Management will continue to focus on scaling and increasing the pace of these improvements across the business and anticipates this will offset continued volatility with respect to raw material pricing and other input costs. While there has been some relief, uncertainty in global trading relationships resulting from the current tariff environment and the corresponding impact on some of our customers' confidence in their future demand continues, particularly in the automotive business within Engineered Products. Despite these headwinds, the current pipeline remains solid and broad-based across our business segments and among the sectors we serve. The recently announced awards at AirBoss Defense, the defense products line of the Engineered Products segment, are particularly encouraging.

In the Rubber Solutions segment, operational improvement initiatives have started to result in meaningful gains and we are entering 2019 with a robust pipeline of diversified business. Management expects that the combination of this pipeline and the traction from operational improvements will continue to deliver strong results in 2019. The Company's strategic focus remains on maintaining its leadership position as a rubber-based solutions provider to its broad customer base while also continuing to increase and expand the breadth of its portfolio of higher margin compounds. In support of this, the Company recently announced expansion plans to add a second mixing line in its Scotland Neck, NC facility as well as a dedicated white and colour mixing line and a significant enhancement of its R&D and laboratory capabilities in its flagship Kitchener, ON facility. Once fully operational, these investments in mixing assets are expected to increase operational efficiencies and profitability, particularly in our [growing] white and colour portfolio.

In the Engineered Products' automotive business, the implementation of the operational and commercial initiatives introduced in 2018 in conjunction with aggressive continuous improvement initiatives are anticipated to lead to improved results as 2019 progresses. Management is confident that the automotive business' strong leadership in sales and business development, engineering, and operations will enable it to increasingly win shares of new platforms going forward. In addition, the Company is making some inroads and will continue to pursue its strategy of diversifying its anti-vibration and noise abatement solutions into ancillary markets. The defense business is expected to continue performing strongly in 2019 across its suite of products, anchored by the four previously announced contracts as well as securing additional awards for the future, although there is some uncertainty as to the timing and size of orders under existing contracts and new tenders.

With its enhanced senior management team across all businesses and an experienced and dedicated workforce, the Company is committed to delivering predictable and sustainable growth, quality, customer satisfaction and profitability. Combined with its strong balance sheet the Company is well positioned to achieve this goal through organic and in-organic growth opportunities.

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

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 compounding companies and a leading supplier of essential calendared 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.airbossamerica.com.

Note (1): Non – IFRS Financial Measures: EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to a similar measure presented by other issuers. This 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, finance working capital and capital expenditures and pay 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		Twelve Months ended	
	December 31 2018	2017	December 31 2018	2017
Net income	1,331	3,772	8,536	12,632
Finance costs	1,008	472	2,921	2,567
Depreciation and amortization of intangible assets	2,728	2,648	10,966	10,684
Income tax expense	665	(46)	3,252	1,770
EBITDA	5,732	6,846	25,675	27,653

FORWARD LOOKING INFORMATION

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 information" or "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.

Statements containing forward-looking information 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 information involves 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 the forward-looking information. Numerous factors could cause actual results to differ materially from those in the forward-looking information, including without limitation: impact of general economic conditions; 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 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 information.

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 information. All subsequent written and oral forward-looking information 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 this forward-looking information 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 for the year ended December 31, 2018, under the heading "Risk Factors".