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TRS - Q4 2014 TriMas Corp Earnings Call

EVENT DATE/TIME: FEBRUARY 25, 2015 / 3:00PM GMT





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## PRESENTATION

**Operator**

Good day and welcome to the TriMas fourth quarter and full year 2014 earnings conference call. Today's conference is being recorded. At this time I would like to turn the conference over to Sherry Lauderback. Please go ahead.

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**Sherry Lauderback** - *TriMas - VP, IR*

Thank you. And welcome to the TriMas Corp. fourth quarter and full year 2014 earnings call. Participating on the call today are Dave Wathen, TriMas's President and CEO, Bob Zalupski, our new Chief Financial Officer, Mark Zeffiro, our Cequent Group president. Dave and Bob are review TriMas' fourth quarter and fundamental year 2014 results as well as provide details on our 2015 outlook. Mark will provide an update on the Cequent spin, and after our prepared remarks we'll open the call up to your questions.

In order to assist with the review of our results, we have included the press release and PowerPoint presentation on our 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 the replay code of 3786796.

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, and any forward-looking statements. Also, we undertake no obligation to publicly update or revise any forward-looking statements except as required by law. We would also direct your attention to our website where considerably more information may be found.

I would also like to refer you to the appendix in our press release issued this morning and 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 statements will be on an excluded special items basis.

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

**Dave Wathen** - *TriMas - President, CEO*

Thanks, Sherry. Good morning. Thanks, everyone, on this call for your interest and attention to TriMas. Our view of 2014 as a year that kicked off a new set of transformational improvements for TriMas. While we faced external and internal challenges throughout the year, we have taken many actions to improve our company going forward. You will notice that we have reorganizations or restructurings in the majority of our businesses, including those which have consistently achieved higher margins. We are focused on those areas that we believe will drive value for our customers, shareholders and employees.

Throughout this call, we will provide insights into why we are excited about TriMas, our businesses, and the prospect for the future. We have several large projects underway and a couple of key people in new roles, which you will hear from today.

But first, let me comment on 2014 on slide four. Despite the slow-growing economy and other economic uncertainties during the year, TriMas achieved $1.5 billion in sales, representing growth of 8%. Externally we faced slower market growth rates in Asia and South America. Europe remained flat and the US stayed near 2% GDP growth. So I am pleased with these top line results. We attained a full year EPS of $1.92 which was in the middle of our range, absorbing a penny loss related to the impact of Allfast acquisition, and its related financing, as well as increased headwinds in the fourth quarter related to currency, rapidly declining oil prices, and the port slowdown on the West Coast. We have of course already reacted to these challenges and will continue to react as required in 2015.

We also continued to refine our business portfolio toward higher growth, higher margin businesses. We completed strategic acquisitions in packaging and aerospace, disposed of a lower margin defense business, and announced the decision to spin Cequent into a free-standing public company.

On slide five, I would like to update you on four key initiatives which are focused on increasing value. Packaging has a global reorganization underway geared to better service its customers and end markets around the world. With four new low-cost plants in Asia to support our growth, we will continue to ramp up our manufacturing capabilities there for ongoing enhancement of our cost structure and flexibility. Aerospace consists of four businesses working together in new ways to capitalize on synergies, both on the product offering side benefiting our customers, and for cost leverage and cost take-out. Packaging and aerospace are growing inherently high-margin businesses as is, but both have upsides. Packaging is focused on revenue growth and maintaining operating margin in the low to mid-20s and aerospace's priorities are focused on margin recovery to previously demonstrated levels, and also continuing revenue growth.

There are many similarities in tactics. We are supplementing these teams with new people to add horsepower. We are reorganizing the front ends towards more customer and market focus, rather than product focus, implementing pricing improvements, and placing a high emphasis on new product development. Both packaging and aerospace have strong continuous improvement programs and lean productivity activities underway as well.

Moving on to our energy initiatives, while our energy business has almost doubled in size over the past five years, as we built out our global footprint following our significant customers, we are now primarily focused on margin improvement. There are two main tactics. One, cost-out through plant and branch consolidation, with emphasis on ramping production in Mexico and India, and two, improving the mix of higher-margin specialty products through product enhancements, education of customers and our sales force, and appropriate selling incentives.

We announced the decision to move some production of our longer lead time gaskets and bolts from our Houston facility to a new facility in Mexico. While in the early stages, we expect this initiative to start showing improvements in the back half of 2015. In addition we are also in the middle of the project aimed at achieving a tax-free spin of our Cequent businesses. The next two slides are a reminder of why this transaction is value-enhancing, which I will discuss. And then I will turn the call over to Mark Zeffiro, who will be CEO of the new company, to share an update.

First, some reminders about why we pursued this path. We believe this move will establish two strong businesses that have distinct characteristics and independent growth and margin expansion opportunities. Each business will benefit from its own focus on capital allocation, investment targets, organizational structures, and incentives. The separation will allow each company to pursue a more focused strategy that leverages its respective strengths, while providing two different and compelling investment opportunities that can be achieved in a tax-efficient manner. Mark and I are both committed to proving that the value of these two businesses can exceed one plus one.

With a significant amount of work still to do, we do believe we are on schedule and are still targeting a mid-2015 completion for this tax-efficient transaction. The next slide displays the key characteristics of the two companies. I will continue to lead TriMas, and I'm very pleased to have long time TriMas leader Bob Zalupski as our CFO. As I mention the Mark Zeffiro, who served as TriMas' CFO for six years, will be the CEO of the new company. And Dave Rice will be its CFO. Mark, who in the interim is vice-president of Cequent for me, will now share and update on the progress that he and the Cequent team are making. We do still need to stay light on details until we get through some of the filing milestones. Mark?

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**Mark Zeffiro** - *Cequent - President*

Thanks, Dave. And I'm pleased to share with you today the progress our team has made for the spin of the Cequent businesses mid-year. It's an exciting time for us and we are well-engaged in completing this project.

The project team has made significant progress toward being ready to be a stand-alone public company. First, we have decided on the company name -- Horizon Global Corporation. This is an important step in creating a new identity for the company and our employees. This name selection points to us being broader than the products and markets we serve today, and embodies our aspirations of growth for the company. In addition, we are well underway in developing our organizational precepts, vision, and mission, all of which will support the company culture we remain to create.

Second, we have made real progress in aligning the organization with how we'll operate in the future. As you may have seen, we have selected our CFO for the company, Dave Rice, a current TriMas and Cequent employee. Dave joined TriMas in 2005 and brings more than 30 years of financial, audit, and leadership experience to the role. I'm looking forward to the partnership we will form in leading Horizon.

In addition we have been combining organizations in the Americas, which have historically been run as separate businesses of consumer products and performance products. The teams have been identified and are aligned for what we need the Americas business to become -- a more efficient part of the enterprise. As such, the team is working on the synergies of becoming one company. These synergies will mitigate the new burden expected of stand-alone public company costs. The team knows the goal, and is diligently working on these actions.

We have also begun the prioritization of our strategic platforms for Horizon. We have identified real end market opportunities in the short, mid, and longer term targeted to provide future growth. As Dave mentioned in the spin call announcement, this set of businesses has grown consistently over the past four years, delivering a 10% CAGR in sales as we built out the global sales platform. These growth areas will include the formalization of a global OEM/OES business, further penetration of the Latin American and Chinese markets, and last but not least, increased e-commerce capabilities and capacity. We believe that focusing on these areas will, in conjunction to renewed dedication to operational excellence, provide meaningful growth opportunities.

That brings me to what the team sees as opportunities to be more efficient in our current activities. This redoubled effort on operating excellence is anticipated to deliver the returns expected from the investments already completed, and deliver the margin expectations with -- in making those investments. Much of the heavy structural change is either complete or well underway to deliver our improved business model.

As you would suspect, while efforts have been very concentrated in the past 30 days, the next 90 days represent a real challenge to the team. I would like to express my thanks for those working on this critical project at TriMas and Cequent. We anticipate filing our S-1 registration statement with the SEC at the end of March, which will provide more specifics about the company. I look forward to sharing future Horizon updates and our progress over the next few months. The team is focused, energized, and is positioning Horizon for enhanced value creation. Dave?

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**Dave Wathen** - *TriMas - President, CEO*

Thanks, Mark. Mark has been a great asset to TriMas and I appreciate all his contributions throughout his time here. At this point I would like to shift gears and have Bob Zalupski discuss our financial highlights. But first let me share why I'm so pleased to have Bob as TriMas' Chief Financial Officer.

Bob's entire career has been focused on all aspects of finance, from audit to treasury to reporting and tax. Bob has been on point at TriMas for our financing and bank relationships, which have served us well. He has also been leading our corporate development initiatives. He has long-term positive relationships with the audit community and rating agencies. And highly important to me, Bob is a true team player, has strong positive relationships with TriMas division Presidents and financial teams, and clearly has TriMas' success and continuous improvement at the top of his agenda. Bob?

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**Bob Zalupski** - *TriMas - CFO*

Thank you, Dave, for the kind introduction. I'm excited about the opportunity to partner with you and our business presidents in his my new role as TriMas CFO and look forward to the challenge of continuing to improve upon TriMas' value proposition for our customers, shareholders and employees.

I will start my comments by providing a brief summary of our total company performance for the fourth quarter beginning on slide ten. TriMas reported record Q4 sales of $351 million, a 9.5% increase compared to fourth quarter 2013. This increase was driven primarily by sales growth in our engineered components and energy businesses, and sales resulting from the acquisition of Allfast. These increases were partially offset by the unfavorable impact of currency exchange of approximately $4 million in the quarter.

Operating profit for the quarter increased 24% to $29 million, or 8.3% of sales, which is an improvement of 100 basis points as compared to Q4 2013. Q4 2014 income increased 27% to $17 million despite absorbing higher interest and tax expense, and we achieved diluted EPS of $0.37 as compared to $0.29 in the prior year.

Turning to slide 11, it summarizes our full year 2014 results. For the year, sales increased 8% to $1.5 billion, with sales growth occurring in all six segments. Of that sales increase, approximately 75% was due to acquisitions with the remainder resulting from organic initiatives. These increases were partially offset by the impact of a $10.2 million decrease related to the sale of our Italian rings and levers businesses within packaging in Q3 2013. There was also $6.3 million of unfavorable currency exchange, as well as a decrease of $4.5 million in sales related to the closure of our less profitable Brazilian manufacturing facility and branch in China within our energy segment. We are pleased that our growth initiatives were able to more than offset these negative sales impacts during the year.

Operating profit in 2014 was $146 million, a 6% increase from the prior year. Our operating profit margin of 10% was relatively flat year-over-year as the impact of higher sales levels and productivity initiatives were substantially offset by a less favorable product sales mix, cost inefficiencies in several of our businesses, and transaction costs related to the acquisition of Allfast. A year-over-year comparison was also impacted by one-time gains recognized in 2013 on the packaging divestiture and the sale of an idle facility in Cequent that did not recur in 2014.

We reported 2014 diluted EPS of $1.92 which was in the middle of our previously provided guidance range, but 6% lower than the prior year. Improvements in operating profit for the year were offset by a net increase of almost $5 million in other expense, and a 700-basis point increase in our effective tax rate as compared to 2013, as a greater percentage of our income was derived in higher-tax jurisdictions. In addition, EPS was impacted by more than 9% higher weighted average shares outstanding during the year.

We exceeded our previously increased free cash flow guidance of $70 million to $80 million for 2014 and reported a record level of $89 million, which was more than 100% of net income and an increase of 85% as compared to 2013. Improved cash generation was due primarily to reduced investment in working capital by our businesses.

During 2014, we also invested more than $34 million in capital projects with the majority spent in support of future growth and productivity initiatives. We also invested approximately $383 million in and acquisitions focused on our aerospace & packaging businesses. We ended the year with approximately $639 million in total debt, and increase from 2013 year-end, due primarily to the financing of the acquisition of Allfast in October 2014.

Our leverage ratio of 2.7 times was lower than expected due to strong cash generation in Q4 and we had $216 million of cash and aggregate availability under our credit facilities at year-end. While we expect higher levels of capital investment in 2015, to further our low-cost manufacturing and technical center initiatives, we expect strong operating cash flow will allow us to return to leverage levels in the mid-2's or lower during the year and we continue to target a levered ratio of between 1.5 and two times as a longer term sustainable level.

At this point I would like to share a few highlights on our segments, beginning with packaging on slide 13. Packaging had another strong year with a 2014 sales increase of nearly 8% as compared to 2013. Excluding the impact of the 2013 divestiture of the rings and levers business, packaging sales would have increased nearly 11%. Despite the lower growth in Q4, impacted by the port slowdown on the West Coast, we continued to experience increased demand from our North American, European, and Asian dispensing customers. We are also pleased with the annual operating profit margin of nearly 24%. Q4 margins were slightly higher at 25%, but reflect the reduction of a contingent liability related to Arminak. Packaging remains focused on sustainable operating profit margins in the 22% to 24% range, while funding initiatives such as the new customer innovation center in India, and the ramp-up of manufacturing capabilities in Asia.

Moving on to slide 14 and energy, while sales increased 16% in Q4 as compared to significantly lower demand levels in Q4 of 2013, full year sales were essentially flat. Higher sales resulting from our acquisitions were essentially offset by reduced sales in Brazil and China as a result of facility closures. Margin declined 110 basis points for the year as the mix of products was more heavily weighted toward lower margin standard gaskets and bolts. We also experienced labor cost inefficiencies in our Houston facility when shifting between the manufacture of lower volume special product orders and the higher volume standard products. While there are signs of increased order activity, we have yet to see a sustained recovery to a more normalized mix of standard versus special products.

In order to improve upon the current margin levels, we have several initiatives underway including pricing reviews, relocation of higher volume longer lead time product manufacture to lower cost facilities, and implementation of our sales inventory operations planning system, or SIOP in our Houston facility. Implementation of SIOP will increase efficiency and throughput, reduce order lead times and improve on time delivery. From our commercial perspective we are also focused on increasing sales of our more highly engineered products at higher margins and have revised our sales incentive programs to reward the same.

Turning to slide 15, aerospace sales increased 28% and 27% for the quarter and full year respectively, due principally to the acquisitions of Mac Fasteners in October 2013, and Allfast in October 2014. Partially offsetting this increase was the reduction of distribution customers' sales resulting from industry consolidation and OE customers going direct. Throughout the year we continued to see less predictable order demand and smaller lot sizes, which stressed our manufacturing processes and resulted in higher cost inefficiencies. These trends as well as a less favorable product sales mix resulted in lower profit margins in Q4 2014 and for the full year. Q4 operating profit declined $2.9 million, approximately one-third of which was due to a less favorable sales mix, one-third due to manufacturing inefficiencies resulting from the inconsistent order demand, and one-third related to the resolution of a previous customer claim.

The new leadership team has been heavily focused on optimizing the planning, scheduling an manufacturing capabilities at Monogram, Mac and Martinic, to increase the production throughput and quality, reduce order lead times and improve on time delivery while lowering internal costs to manufacture.

I would be remiss if I didn't take a moment to review the results of Allfast in the quarter. Sales were $9.1 million, while operating profit of 14.3% inclusive of purchase accounting adjustments exceeded expectations and we also had strong free cash flow generation in the period. The acquisition of Allfast has served as the catalyst for a broader set of integration activities with respect to our aerospace group. We are leveraging operating processes, revenue opportunities, and cost synergies across the portfolio as TriMas aerospace seeks to become the aerospace fastening system supplier of choice.

Moving on to slide 16, engineered components. Full year and fourth quarter sales increased 19% and 36% respectively, primarily due to the small cylinder asset acquisition which occurred in November 2013. Sales of gas compression products also increased which was partially offset by decreased sales of engines. The margins in both periods also increased significantly, each improving more than 400 basis points year-on-year due to increased sales levels and resulting operating leverage, price increases and ongoing cost reductions.

For 2015 the engineered component segment is focused on aggressively managing the cost structure at Arrow Engine in response to significantly reduced oil prices and the related impact on end market demand. Norris Cylinder will continue to expand product offerings and better leverage the increased capacity and manufacturing cost structure resulting from the 2013 acquisition of cylinder assets.

Turning to slide 17, we show the performance of Cequent split into two segments. Sales for Cequent Americas increased slightly in both periods due to increases within the after-market and retail channels. Operating profit and margin levels were relatively flat as the benefits of the lower cost manufacturing facility in Mexico were offset by higher freight costs related to the footprint changes and increased input costs, notably steel. Sales of Cequent APEA, representing our businesses in Asia-Pacific, Europe and Africa, increased 9% for the full year, primarily due to the 2013 acquisitions in Europe, while the fourth quarter sales declined 7% due to lower sales in Australia and Thailand and the unfavorable impact of currency exchange, full year and fourth quarter operating profit declined primarily due to a less favorable regional and product sales mix and higher levels of SG&A.

Overall we expect to improve Cequent's margins by continuing to optimize of the supply chain and increase productivity of our lower cost manufacturing facilities. Cequent continues to globalize its product lines and brands for market share and cross-selling in new geographic markets in support of our global customers.

In summary, 2014 represented a year of high single digit sales growth, in line with our strategic aspirations. While growth is important, margin improvement is now our area of focus. During 2014, we initiated actions to restructure or reposition the majority of our businesses, which will take time and resources to execute. We are committed to achieving these goals and will keep you apprised of our progress.

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

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**Dave Wathen** - *TriMas - President, CEO*

Thanks, Bob. So as Bob mentioned, I am now going to look forward and comment on our guidance for 2015. I would like to start with sharing our baseline revenue and margin assumptions for each of our operating segments for 2015 based on our current view of markets, currency, oil prices, and our own plans and projects in each business.

Packaging -- strong performance should continue into 2015, even with the headwind of 2% to 3% related to the strength of the dollar. Operating profit should stay in the low 20s, even with building out global tech centers, including one in India, during the year. These tech centers are a piece of our commitment to our global customers to support them with the right products in the markets they pursue.

Aerospace growth will be driven by the addition of Allfast, plus over time the additional new product opportunities within the overall Allfast, Monogram and Mac fast program portfolios. In parallel, we will prune and harvest some less attractive product lines. We expect margin improvement as we move through 2015 as we work through the operational challenges we faced in 2014.

Martinic Engineering is showing progress and Mac continues to improve its product mix to distributors, both of which should yield higher margins. Tom Aepelbacher has added sales and operating horsepower to his team, including folks with significant industry experience. They are focused on long-term sales growth and attaining longer term margin levels to compete with packaging for highest marks.

In Q4 2014, energy revenue increased 16% and current orders improved. But we know our energy customers have cut CapEx budgets and short-term changes will occur. So we are modeling low revenue growth in 2015. As I previously discussed, our main focus in this business is margin improvement via manufacturing cost-out and product mix improvements, with multiple projects underway. We certainly have some lessons learned with Cequent's move to Mexico that should help the new energy operations in Mexico. Longer term we are targeting the return to the near 12% operating profit that this segment ran in 2010 and 2011. In 2015 we expect to see good progress in margin improvement.

Engineering Components is already being impacted by the oil price decline by affects the Arrow Engine business, specifically the engine portion of Arrow. We saw a 90% drop in engine orders in January, with some bounceback in February, meaning the typical destocking by distributors and installers is occurring. For now, we are modeling one-third decline in Arrow's revenue overall, since sales of parts, gas products and compressors appear to be holding up through the first half of the year. Should oil prices continue to remain low, we will revisit our sales forecast for compression systems and gas products in the back half of the year. As you would expect, we did a substantial downsizing of the workforce, both hourly and salaried, in early 2015 and we'll keep ourselves sized right to the current demand levels.

Norris Cylinders continues to perform well, although growth may be slow with any GDP growth expected to be offset by lower export sales as a result of the current exchange rates. So overall we expect engineered components operating profit margin to be down 2% to 3% versus 2014, again primarily due to the declining oil price impact on Arrow's demand.

Cequent Americas has seen the transition and the supply chain costs for the production move to Mexico normalizing, driving margin expansion. And the Australia-based businesses has several positives that in total will be offset by currency translation.

So what does all this mean in terms of full year guidance for TriMas? Shown on slide 20, to we are expecting 3% to 5% sales growth, which includes both organic and acquisition growth, partially offset by the impacts of unfavorable currency and lower oil prices. Our expectation for 2015 EPS is $2.10 to $2.20 with the mid-point representing a 12% increase over 2014. We also expect free cash flow to be approximately $60 million to $70 million. All of these ranges are for TriMas as it exists today. We will update you with new guidance once the planned Cequent spin is completed.

The next slide, slide 21, is a useful bridge from 2014 to 2015 EPS to assist you in understanding our best estimates of the impacts discussed above on our businesses. As you can see, significant headwinds related to currency and oil prices moderate our operating improvements. As usual, we will keep you updated throughout the year as we mitigate risks and capture opportunities, plus as the spin of Cequent occurs.

In summary, on slide 22, 2014 was a challenging and busy year, and while we accomplished a lot, we still have much more work to do on many fronts. In 2015, we will continue our progress toward our strategic aspiration of being a high-margin, highly engineered product and solutions company, as we continue to shift the portfolio in this direction. We will also focus on expansion and capitalizing on profitable growth opportunities, de-emphasizing or reducing less profitable business. And of course we will always focus on mitigating the external headwinds and risks, and responding quickly to changes. I feel we have a strong foundation to build on, and I am looking forward to the remainder of 2015.

One additional comment -- we will be hosting a joint TriMas and Horizon investor and analyst day in New York on Thursday, May 21, where we will share additional information on strategies and goals for the two new companies. We hope you will able to join us. Please contact Sherry for more information.

Now we will gladly take your questions.

## QUESTIONS AND ANSWERS

**Operator**

Thank you. (Operator Instructions). We'll take our first question from Scott Graham with Jefferies.

**Scott Graham** - *Jefferies - Analyst*

Hey, good morning. I have a couple of questions about the segment assumptions for 2015, that chart. And really, thank you very much for that chart. That's really helpful. The assumptions that you're making within oil and gas overall, Arrow down 25% to 35%, but I assume that you're kind of thinking a similar type of number. Maybe not quite as bad, but a pretty down number in the energy segment as well. Could you give us just an idea, maybe bracket what you're thinking in that business?

**Dave Wathen** - *TriMas - President, CEO*

In the energy segment, I think what we're -- you could tell we're seeing a lot of growth right now. Kind of recovery. Scott, what it comes to is we've projected that momentum will grow forward and then pulled it back down due to the customers pulling CapEx out. And it winds up we're modeled at about flat revenue. We've got a few upsides going on with some new, big programs. We know there's a pretty decent recovery in the heavy project work, new builds, gas compression, and all that stuff. And so we put it all together and it feels essentially flat. So oil price impact for sure offset by some big multi-billion dollar projects that we know we're spec'd in at.

**Scott Graham** - *Jefferies - Analyst*

Right. So it sounds to me like you're expecting whatever, kind of flattish out of energy. But most of the energy segment is serves the oil and gas market versus the petrochemical market. Right?

**Dave Wathen** - *TriMas - President, CEO*

It's -- of course most of it is refineries and processing plants. We've seen quite a bit of growth in oil production. I mentioned before the under the ocean spec for platforms where they use real high-end fasteners because of the corrosion. That's all upside for us, and it's all high-margin business. So when you throw that all in, again, we come out flat.

**Scott Graham** - *Jefferies - Analyst*

And I know you work a lot with the E and C's in this business.

**Dave Wathen** - *TriMas - President, CEO*

Yes.

**Scott Graham** - *Jefferies - Analyst*

Apologies. I know you work a lot with the E and C's in this business. So you're not hearing them say that some of these multi-billion dollar projects that you're spec'd in at that, that these projects will be in fact delayed?

**Dave Wathen** - *TriMas - President, CEO*

We're actually not hearing much of that. I mean, we are hearing of people cutting CapEx at the refineries. We know about -- there are strikes going on, and they're running the refineries with -- we all call it management or salaried folks. We're trying to cross-reference with what other people are saying. A couple of the big projects we're on, and they're all kind of one off events, all seem to still be on track.

**Scott Graham** - *Jefferies - Analyst*

Okay.

**Bob Zalupski** - *TriMas - CFO*

There have been some requests, Scott, from those customers for what I'll call price reductions. Not necessarily canceling or deferral of orders, but looking for some price give-back. Naturally we're negotiating those quite heavily. But there is some of that pressure we're seeing as well because of what's going on with oil.

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**Scott Graham** - *Jefferies - Analyst*

Thank you for being very forthcoming with that. I appreciate that. My last question is this -- in the aerospace segment, you're expecting a pretty big improvement in the operating margin there. Is there any way to kind of sort out how much of that is Allfast mix versus base business mix -- I'm sorry, base business margin?

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**Bob Zalupski** - *TriMas - CFO*

Well, the answer to that is of course we typically don't get into the margin assumptions around the individual businesses. But what I would say, Scott, is that clearly the Monogram margins were lower than we would like, or even expect for that business. The new management team is really heavily focused on improving the efficiency of not only the manufacturing within Monogram, but also as it relates to Martinic and Mac. The Martinic business, while smaller was a fairly sizable drag on the margins in 2014, given certain adjustments and other one-time clean-up activities that occurred in that business. Going forward we see that business returning to its historic levels of profitability and similarly we would expect Mac to be at comparable margin levels. So in that sense, that's kind of mid-teens in that business, which would be a significant -- or those two businesses, which would be a significant improvement over the 2014 results.

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**Scott Graham** - *Jefferies - Analyst*

That's great. Thanks a lot.

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**Dave Wathen** - *TriMas - President, CEO*

Scott, part of the advantage of my role is if I need to be brutal, I can be. And I was pretty brutal about some parts in that business, to say, "On the positive, you're part of the diversified company that can handle some bad times. On the other side you're part of a diversified company that can put this behind us and move on. Prove to me it's worth staying in this business." And I give the team -- again, some of it is new people -- I give the team a lot of credit for really knuckling under and sorting out what's good and what's not. Sometimes in times of stress you get much faster response.

I'm pretty upbeat. I also have very high confidence in that management team. Tom is as good and operating manager as I know. He and the folks from Allfast have recruited some people that we would have never recruited as just Monogram. I mean, we're a much bigger, more attractive business. We've got a marketing guy who came back, who had left. We've got an ops manager who is Tom, a little younger and in the industry, so got the customer relations and all that. So there's a lot of positive indicators in that business.

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**Scott Graham** - *Jefferies - Analyst*

Thanks a lot.

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**Dave Wathen** - *TriMas - President, CEO*

So I feel pretty good about it.

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**Operator**

Next we'll go to Steve Barger with KeyBanc Capital Markets.

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**Ken Newman** - *KeyBanc - Analyst*

Good morning, it's Ken Newman on for Steve.

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**Dave Wathen** - *TriMas - President, CEO*

Hi, Ken.

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**Ken Newman** - *KeyBanc - Analyst*

Hi. Just curious if you could talk a little bit about the mutual operation agreement with Engaged Capital. I think the relief states that Engaged can appoint its own principal to the TriMas board at its request in 2016. Just wanted to get your thoughts on why agree to the agreement, and what does that get TriMas?

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**Dave Wathen** - *TriMas - President, CEO*

Well, what we got is a very first class board member joining. Herbert Parker. I would submit that any of you who know him or would spend time with him would get the same opinion as me. Herbert Parker is a lived around the world, dealt with lots of things, helpful kind of a long time global CFO and operating manager. And like anything, part of the function of a board is to sort out what do you focus on, what do you focus less on, and be part of a team. So we got Herbert Parker, which I feel real good about.

The agreement with Engaged Capital, I would say our legal -- our general counsel, Josh, could explain it -- looks almost stereotype for this kind of thing, that if in the future the folks at Engaged Capital feel the need, they do have a right to appoint a principal as a board member. We'll see. I would say for now, I like the outcome, and we're in improvement mode.

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**Ken Newman** - *KeyBanc - Analyst*

Got it. And then switching gears here, it looks like you had about a $7.5 million restructuring charge in energy this quarter. Could you provide some color on what that charge consisted of, and what's the expected payback on that charge, as well as if you could just talk about, do you expect a similar-type charge of that magnitude going on through the course of the year?

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**Bob Zalupski** - *TriMas - CFO*

The majority of the charge in energy related to some restructuring activities in Brazil. And in doing that, a big chunk of it was basically a lease facility that we were in, that we have now exited. And then there's any time you discontinue a business or an operation in a foreign country, there's the cumulative translation adjustments, or losses in this instance, that were tied up in CTA, which also get expensed to the P&L. So that was the majority of the $7.1 million charge. The remaining was ancillary costs as well as employee-related kinds of severance and the like.

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**Dave Wathen** - *TriMas - President, CEO*

You will see costs in 2015. We're moving -- we're ramping up a plant in Mexico, and therefore ramping down plants in the US. You'll see costs related to that, going forward. I'm not being shy about really getting busy in energy, making the moves that bring it back to where it ought to be.

**Ken Newman** - *KeyBanc - Analyst*

Understood. Then just one more from me, if I could. Just curious if you could comment on how we should be thinking about free cash flow conversion this year. I know your guidance came down from last year. Just curious if you're expecting for the conversion to change after the spin-off and also wanted to get your thoughts on what that means for capital allocation in the near term.

**Bob Zalupski** - *TriMas - CFO*

Well, we're expecting very strong cash flow generation from operations, again, in the current year, Ken. And I think maybe the difference between this year and last is that we've got a much higher level of capital investment planned relative to building out our manufacturing footprint in packaging in Asia, and the related technical centers as well as the relocation of the Lamons manufacturing capacity to Mexico. So that will reduce the conversion percentage as it relates to net income. But again, I think the underlying principles of cash flow generation will be, again, very strong.

**Dave Wathen** - *TriMas - President, CEO*

We still have strong metrics on working capital as a percent of sales and efficiency of how we use cash in each business. That's pretty ingrained in us by now.

**Ken Newman** - *KeyBanc - Analyst*

Great. Thanks for the color.

**Operator**

And next we'll go to Andy Casey with Wells Fargo Securities.

**Andy Casey** - *Wells Fargo - Analyst*

Good morning, everybody. Thanks for taking my questions. Related to, if we could go back to Engaged Capital, I'm just wondering, did you receive any advice from them prior to your decision to spin off Cequent, or would you describe any advice they may have provided as more forward-looking?

**Dave Wathen** - *TriMas - President, CEO*

You know the answer to that. We don't talk about discussions like that. But the Cequent spin was -- I mean, you know that the idea of doing something different -- Cequent has been around for a while. You and others have asked us about that. If you could eavesdrop in the boardroom in previous meetings, that was a TriMas board decision, certainly driven by lots of input by investors and analysts and industry and all that. But that was a TriMas decision.

**Andy Casey** - *Wells Fargo - Analyst*

Okay. Thanks, David.

**Dave Wathen** - *TriMas - President, CEO*

I would call it a tactic.





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**Andy Casey** - *Wells Fargo - Analyst*

Okay. And then an additional question on the 2015 outlook, you were very clear on the oil-related demand impact. And you may have touched on this, but could you discuss whether any of the commodity price declines the market has seen may drive an input cost tail wind? I guess overall are you including any positive net pricing -- meaning price less cost -- in the outlook?

**Bob Zalupski** - *TriMas - CFO*

You know, I don't know that we're seeing -- I would describe it as tail wind. I mean, in certain of our businesses where steel has an impact, Norris Cylinder notably, the price-downs there have been available to us for a while now. I think the issue that we potentially see is their pricing pressure in terms of givebacks to customers relative to their perception of declining prices and commodity costs.

**Dave Wathen** - *TriMas - President, CEO*

I'm sure you hear this a lot of places. The refined products like plastic resins have stayed remarkably robust, whereas you would think it would drop immediately. But over time, sure, we will take advantage of it. Our job is to hang on to selling prices longer than the -- so we do get benefit from commodity price reduction as it goes on.

**Andy Casey** - *Wells Fargo - Analyst*

Okay.

**Dave Wathen** - *TriMas - President, CEO*

But you would think there would be more of it, strong dollar and all that. But we've got a global sourcing organization. We're on top of all that. And it's been a slow move down, in finished product, like we buy.

**Andy Casey** - *Wells Fargo - Analyst*

Okay. We'll stay tuned on that. And then a couple of questions on kind of the historical first on Q4. In the P&L you called that a $4 million hit due to dispositions. Was that all related to aerospace? Or was there any other impact? I'm just wondering where that fell in the segments, and if there was any tax effect associated with that.

**Bob Zalupski** - *TriMas - CFO*

That $4 million reduction that you're referring to, I believe, was the divestiture of our Brazilian business.

**Andy Casey** - *Wells Fargo - Analyst*

Okay. And then on -- thank you, Bob. And then on cash flow you had pretty favorable changes in receivables during the second half of the year. Can you provide a little bit more color on what drove that?

**Bob Zalupski** - *TriMas - CFO*

We're always focused, Andy, on improvements in our working capital efficiencies. If you look across our businesses, we're generally speaking pretty darn good about reducing the -- reducing the days sales outstanding, particularly at year-end. So in that sense, I don't know if there's anything particular that I would point to other than just normal operating practices.

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**Dave Wathen** - *TriMas - President, CEO*

I will tell you, I have been a broken record in operating reviews about interest rates are low. We forget what it's like in higher interest rate times for our receivables and payables both. The intensity goes up. So get busy! And then interest rates will go up, you know? But we all know interest rates will climb, and it will get tougher. And we've got to be on our game and in control of working capital. Not that that's a specific answer, but we pay attention to it. Even though the low cost of money could let you go to sleep about it, but you can't.

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**Andy Casey** - *Wells Fargo - Analyst*

Okay. I'll pass it on. Thank you very much.

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**Operator**

Next we'll go to Karen Lau with Deutsche Bank.

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**Karen Lau** - *Deutsche Bank - Analyst*

Hi. Thank you. Good morning.

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**Dave Wathen** - *TriMas - President, CEO*

Hi, Karen.

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**Karen Lau** - *Deutsche Bank - Analyst*

Hi. Just a question on energy. It sounds like the refinery maintenance is coming back a little bit. Yet you haven't seen the mix improve. I was under the impression that when the turnaround started to happen, your mix will kind of come along with it. So is there something structural going on that is depressing the mix, do you think?

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**Dave Wathen** - *TriMas - President, CEO*

Some of it is the timing that -- you tend to order the standard product sooner and get that all delivered, and then the specials become fast turnaround stuff. I don't think there's anything structural in that. I am expecting improvement in mix. Curt and the team in that business have really gotten proactive recently in -- and I mentioned some of that. I mean, it's everything from making sure we're selling all of the higher margin products every place in the world. Some of that is education of our own sales force and branches. Resetting some of our incentive system so it's not spread across but more specific. I'm just going to have to -- Karen, I'm going to say stay tuned because we are expecting to see that impact. I want it sooner too.

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**Karen Lau** - *Deutsche Bank - Analyst*

Okay. Thanks, then. And I just want to follow up on the question about price costs. So it sounds like you're not expecting any meaningful boost, for instance, in packaging, which I believe resins and steel are a significant portion of the cost of goods. But you are not assuming a benefit to margins in the near term, based on lower prices?

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**Dave Wathen** - *TriMas - President, CEO*

No. I mean, if we -- we have pretty tough customers about that. While we will always try to come out ahead on the timing of price-downs versus cost-downs, but no, we are not modeling that way.

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**Bob Zalupski** - *TriMas - CFO*

We just haven't seen it in actuality that would suggest it's an appropriate thing to do at this point.

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**Dave Wathen** - *TriMas - President, CEO*

You are exactly right. It can be an opportunity in times like this. But again I'm not one to count or on opportunities -- count on opportunities until I really see 'em. But you know we'll try.

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**Karen Lau** - *Deutsche Bank - Analyst*

Okay. And aside from packaging, I mean, you mentioned a little bit on the cylinder side. There could be some pricing pressure regarding tough customers asking for some sort of price-back, given lower commodity price. Do you expect that dynamic to happen in any of the other segments?

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**Dave Wathen** - *TriMas - President, CEO*

I think there's a lot of that going on, Karen. I think there's a lot of price pressure going on in this -- we're all -- everybody you talk with, I'm sure, is dealing with the same thing. You've got mighty low inflation. You've got commodities softening. Strong dollar makes people who sell in the US from outside get aggressive, look aggressive. So there's a lot of price pressure.

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**Karen Lau** - *Deutsche Bank - Analyst*

Okay. And then last one. Could you help me a little bit with the free cash flow, how to breach the components? I realize the CapEx component is, what, like maybe $30 million higher year-over-year, but I was under the impression that Allfast, given its high EBITDA margins, was going to boost free cash by 30% year-over-year. Are there maybe, like, charges incorporated in that $60 million to $70 million number?

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**Bob Zalupski** - *TriMas - CFO*

No, nothing specific in that regard, Karen. You are correct, we do expect the benefits of Allfast strong cash flow generation as a positive obviously. I think you have to remember the benefit we saw this year in terms of much higher free cash flow generation through improved working capital, that is not necessarily a benefit that recurs. And again in 2015 we have a much, much higher level of capital investment plan than we had in the current year, which will approximately offset the improvement or the add, if you will, from Allfast.

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**Karen Lau** - *Deutsche Bank - Analyst*

Okay. Makes sense. Thank you.

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**Operator**

And next we'll go to Robert Kosowsky with Sidoti.

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**Robert Kosowsky** - *Sidoti - Analyst*

Good morning, everyone. How are you doing?

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**Dave Wathen** - *TriMas - President, CEO*

Hi, Rob. Good morning.

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**Robert Kosowsky** - *Sidoti - Analyst*

Just going back to the $4 million charge that's in the P&L -- is that included in your $29.1 million adjusted operating profit?

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**Bob Zalupski** - *TriMas - CFO*

No, it isn't. It's one of the special items.

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**Robert Kosowsky** - *Sidoti - Analyst*

So it's included in the $7.5 million of severance and business restructuring costs?

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**Bob Zalupski** - *TriMas - CFO*

Correct.

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**Robert Kosowsky** - *Sidoti - Analyst*

Okay. And then secondly, it seemed like corporate expenses stepped down pretty nicely in the quarter, to about $6.7 million. Was there anything behind that, especially sequentially? Is this a new level with just bonus accruals being reversed because the year didn't come in as planned? Just thoughts on that.

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**Bob Zalupski** - *TriMas - CFO*

Clearly there were lower incentive-comp related accruals and adjustments. That was a portion of it. But again as we went through the year and we saw certain of the challenges that were coming at us in the back half, we appropriately pulled back in terms of corporate office expense as well. So is that the new run rate normal? No, because obviously the incentive comp arrangements get reloaded and there's the natural inflationary pressures on, in terms of merit increases and the like.

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**Robert Kosowsky** - *Sidoti - Analyst*

Okay. Finally, in your packaging outlook, you call for mid-single digit revenue growth. That seems like a step down from kind of the high single digits to lower double digit growth rate that we're accustomed with packaging. Is there anything behind that slowdown? Maybe could you talk about the outlook from US, also international?

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**Dave Wathen** - *TriMas - President, CEO*

Remember, packaging gets hit on currency translation because of the amount of sales outside the US. So that's the big delta.

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**Robert Kosowsky** - *Sidoti - Analyst*

So the mid-single digit -- go ahead, sorry.

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**Dave Wathen** - *TriMas - President, CEO*

But other than that, again, we are -- we know what we've got contractually and what we can count on. We're viewing Asia as good but softer than it used to be. Plenty of people think Europe's going to rebound, but again, I'm not going to count on that till we see it actually occur. I mean, you might get away with accusing us of not counting on some potential upsides and we'll see.

It's also true -- and this is a structure of the business. We've gotten a lot bigger. We are dealing with some new, bigger customers who have a lot of control of their own ramp-ups, switches, and that sort of thing. We aren't as used to them as some of the other customers were, so we're not going to be aggressive about things that are in their control. We'll make sure we can serve them when they're ready for us. But we're not going to forecast the revenue until we've really got it in hand.

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**Robert Kosowsky** - *Sidoti - Analyst*

So the mid-single growth rate, that's inclusive of the 2% to 3% head wind?

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**Dave Wathen** - *TriMas - President, CEO*

Yes. Maybe I wasn't quite as clear on that.

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**Robert Kosowsky** - *Sidoti - Analyst*

All right. Thank you very much and good luck.

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**Dave Wathen** - *TriMas - President, CEO*

Thanks.

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**Bob Zalupski** - *TriMas - CFO*

Thank you.

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**Operator**

We do have three questions left in queue. Next we'll go to Matt Koranda with ROTH Capital Partners.

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**Matt Koranda** - *ROTH Capital Partners - Analyst*

Hey, guys. Thanks for taking my questions. So it looks like in Q4 you guys already saw a bit of the impact of West Coast port delays in the packaging segment. But I was just wondering how we could think about the near-term impact, maybe the Q1 impact by business segment, and are you comfortable it's all fully factored into your 2015 outlook?

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**Dave Wathen** - *TriMas - President, CEO*

I think we've got it factored into our outlook. I mean, it is -- as it's working out, it's hitting harder in first quarter. And you could probably, with the right telescope you could count the ships, right? I'm here, and -- I'm here and it's another couple of months to get it through the system. But that said, it hits packaging hard because we do quite a bit of production, particularly for Arminak, in Asia, and move it this way. It gives us some fits on some commodities that tend to come from Asia, like some steel product out of Korea for Norris. But we can reroute some of that. Castings for Arrow, nobody in the US runs foundries anymore. Castings, while we've moved a lot of those into Mexico -- Mexico is mighty busy -- that's been giving us some issues. I could put somebody named Candice on the phone who runs all our logistics for us, and she could take you through everything, every rerouting we have found, where we have bit down and decided to air-freight. That's a long answer to say -- I think it's going to be first half before we see it flesh out.

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**Sherry Lauderback** - *TriMas - VP, IR*

Mark, do you have impacts at Cequent as well?

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**Mark Zeffiro** - *Cequent - President*

Yes, Matt, when you think about the Cequent business, obviously a good portion of the supply chain comes out of China as well. That's obviously been rerouted to other ports. We're seeing the fact that we anticipated some of this and rerouted to other locations is -- it's at least reducing the risk of not having the right inventory for key customers. So to that end, if you -- if you really think about it, you might see pressure in the Q2 numbers as you start to think through how FIFO will actually roll off the balance sheet. I will tell you that the team has done a great job in terms of rerouting efforts to ensure that our customers haven't been affected.

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**Matt Koranda** - *ROTH Capital Partners - Analyst*

Okay. Thanks for that, guys. That's helpful. And one more from me on energy. Just wondering, in terms of the move from Houston to Mexico, if you could give a little bit more detail on where you are in the process, maybe share a potential timeline here and maybe some milestones that might be associated with the move. And I know, Dave, I think you mentioned earlier some lessons learned from the Cequent move, if you could just elaborate on some of those lessons and how they will inform the move on energy.

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**Dave Wathen** - *TriMas - President, CEO*

We have a plant. We're doing the plant improvements -- you know, air and lighting and all that kind of thing -- equipment is much -- much of it is on order, starting to be delivered. So all that is underway. We are -- we did borrow out of the Cequent team a few of the people who have been real active in building new plants in Mexico and have helped us with everything from the logistics of crossing the border and timing to helping recruit new play manager and that kind of thing. So it is at that stage that we'll have initial production in the pretty near future. We've got to certify it and all that kind of thing. So that's why I'm saying we'll see the impact to that starting to ramp up in second half, which isn't so far away yet.

The lessons learned, and you know we've talked about it quite a bit. The real lesson learned for me and Cequent -- and I have lost count of how many projects like this I have been involved in since the 1980s. Mexico is so much busier that you can't quite count on the supply chain like you used to. It will catch up, but even though you find a supplier for a bracket you need made outside, it takes a while for that supplier in Mexico to fit you into their schedules. And "a while" might be months. We are configuring the initial ramp-up of the energy plant where we will -- and it's partly the physical location of Houston versus Reynosa, being able to move -- call it raw materials and supply chain things from the US into the plant, rather than sourcing it all in Mexico.

That doesn't sound all that profound, but it was a decision to make the ramp-up go smoother without getting caught out with vendor problems. And of course we also had the physical advantage of call it Houston being a master distribution point for that entire company. It's not so far away from Reynosa that we're -- remember at Cequent we moved the entire warehouse system at the same time. So we don't have a parallel move there. So it's simpler, and we are derisking it. The folks who work on it who have had these -- I get to hear the output and it's important enough to me that I go out of my way to travel to a debrief meeting where we talk about how will we de-risk this. So any plant start-up has its share of stumbles, but I think we have learned and this one will -- stay tuned, but I think we'll be happy with the way it ramps.

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**Matt Koranda** - *ROTH Capital Partners - Analyst*

Okay. Thanks for the color on that. And I'll jump back in queue.

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**Operator**

Next we'll go to Walter Liptak with Global Hunter.

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**Walter Liptak** - *Global Hunter - Analyst*

Hi. Thank you. My question is about the aerospace segment, and your comments that the aerospace distribution channel is still choppy. I wonder if we can get some color about that. And the way you made it sound by the guidance is that all of the 50% revenue growth coming from Allfast, is that right or is there also some growth expected in that segment?

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**Bob Zalupski** - *TriMas - CFO*

Well, the majority of the growth, Walt, is attributed to the full year of Allfast being included. So I think sales-wise, you can expect that to be the case. I think relative to what we're seeing with distribution customers, a couple of the major ones -- B/E Aerospace, and then Wesco -- they have undergone some of their own, I guess, legal entity or corporate transformations. B/E, I think, spun off the distribution portion of its business into KLX, and that was effective, I believe, as at the start of the year. And I think what we saw in fourth quarter was some pullback in order patterns as now as a separate company they were preparing to manage their inventory levels in investment and working capital and the like. So maybe a little different behavior than we've seen. In at least the first part of 2015 here, we've seen stronger order patterns from B/E in particular.

Wesco was acquired by another company, and again I think -- again we're seeing, I think, as of year-end some changes in ordering patterns that are reflective of that ownership change. And again it's hard to say it's a trend yet, but the first couple of months in 2015 indicated a bit higher order patterns than we expected. So we're cautiously optimistic in that regard.

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**Walter Liptak** - *Global Hunter - Analyst*

Okay. Good. And then I wanted to ask one about the spin, and as we're getting closer to it, any changes on the costs associated with it? And do we start to see any of those costs flowing through in the first quarter, or is it in the second quarter?

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**Dave Wathen** - *TriMas - President, CEO*

Have you been listening to the questions I get from my board members? [Laughter] Luckily the answer is -- our early estimates are proving to be pretty accurate. But I don't want to pretend we know it all yet. This is a big legal structuring kind of a project. So stay tuned. But so far, so good. As you know, we're pretty decentralized on a lot of things, and Cequent is quite separate. And so we probably have a leg up versus what some other companies have dealt with on this kind of thing.

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**Bob Zalupski** - *TriMas - CFO*

Well, yes, Walt, specific to transaction-related costs for the spend, we're obviously right in the middle of it, so we'll start to see those flow through in Q1 and obviously Q2. The ones that are directly related will be outboarded to special items and will obviously be disclosed in our future filings.

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**Walter Liptak** - *Global Hunter - Analyst*

Okay. So we'll see some -- I mean, you're going to have audit costs and things, you're saying that we're going to see some of those in the first quarter.

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**Bob Zalupski** - *TriMas - CFO*

Right.

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**Dave Wathen** - *TriMas - President, CEO*

Yes, we're clicking right through those. But we've said, it appears to be clicking right away like we planned it. And we'll keep at it.

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**Walter Liptak** - *Global Hunter - Analyst*

Okay. Any additional thoughts on the debt that the Horizon business might be spun out with?

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**Dave Wathen** - *TriMas - President, CEO*

It's a little early yet. We're talking about it, but we -- we will -- as soon as we can, we will share all that.

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**Walter Liptak** - *Global Hunter - Analyst*

Okay. Fair enough. All right, thank you.

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**Operator**

Next we'll go to a follow-up question with Scott Graham from Jefferies.

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**Scott Graham** - *Jefferies - Analyst*

Hey, I'm sorry, I just wanted to ask a little bit more around energy. The oil and gas exposure that you guys have is housed in both the energy and components businesses. And I'm just hoping that if you wouldn't mind, Dave, if we just take out the petrochemical piece of energy, which I consider to be a very different set of market dynamics in 2015 than oil and gas, and then add to that the total from Arrow Engine, which is mostly oil and gas, is that about 15% or 20% of your sales? Am I in the ballpark there?

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**Dave Wathen** - *TriMas - President, CEO*

Yes, I think the way you're trying to describe it, "in energy," it sounds a little high.

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**Scott Graham** - *Jefferies - Analyst*

So maybe more towards the 15%?

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**Dave Wathen** - *TriMas - President, CEO*

Yes. Yes.

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**Scott Graham** - *Jefferies - Analyst*

Fair enough.

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**Dave Wathen** - *TriMas - President, CEO*

And remember within -- and I'm trying to disclose -- that was the purpose of that chart on the segments and me talking about Arrow, it's the engines that drive pump jacks that get hit. The gas compression part of the business and the metering devices and all, those tend to be a little bit more just on volume being moved, not new -- the thing that's way off is new drilling and new well completions. The volume of oil and gas moving kind of stays the same. The demand stays the same.

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**Scott Graham** - *Jefferies - Analyst*

Well, I think --

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**Dave Wathen** - *TriMas - President, CEO*

It comes down to parts, and where things wear out.

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**Scott Graham** - *Jefferies - Analyst*

I think that the decline is going to be a little bit more widespread than that. But we'll see.

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**Dave Wathen** - *TriMas - President, CEO*

And we concur with that, and I tried to lean into that a little bit. Right now we can see orders out pretty far, but we'll see.

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**Bob Zalupski** - *TriMas - CFO*

I think the other variable here, Scott, is also what does the price of oil do as we get into the second half of 2015? Does it stay kind of where it's at today? Does it decline further? Or do we see some bounceback? I think to the extent there's a bounceback, we would expect there to be less of an impact. Obviously if it gets worse, it could prove to be more negatively impactful to the top line, certainly in Arrow and possibly even so in Lamons.

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**Scott Graham** - *Jefferies - Analyst*

I'm with you. But then sort of the corollary to that question is if we're talking 15% of sale -- of total company sales, and obviously much more than that in the energy segment and energy components, you're still forecasting obviously very healthy margin expansion in energy in the business that has most of your oil and gas. And you're kind of expecting just slight decline in engineered components because of what you're kind of seeing on the order book for Arrow.

So I know that you guys are as forthcoming as they come, so obviously there's going to be some restructuring savings that are going to hit those businesses. And I'm just wondering if you can kind of get a little bit more granular on some of the dollars that you expect restructuring savings to bring to those margins.

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**Bob Zalupski** - *TriMas - CFO*

I -- again, as we look at energy, Scott, and maybe some of the expected improvement in margins there, a lot of that will -- is because of coming off of some very difficult challenges in the current year. So I wouldn't necessarily view it as a function of some massive restructuring that we're going to do, short what have we talked about in terms of moving certain of the production capability from Houston to Mexico.

And the margin impact, again, I would come back to we see more of that happening in the Arrow portion of our business. There, as Dave mentioned, we've taken actions to reduce the cost structure in that business, commensurate with the pull-back in engine orders. And maybe the full effect of that isn't visible because it's part of the segment that includes our Norris Cylinder activity. So I think in the main, we're pretty comfortable with where our outlook is with respect to margins in both those segments, overall.

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**Scott Graham** - *Jefferies - Analyst*

Okay. So when you guys are saying that you have a big focus on margins for 2015, it doesn't necessarily mean restructuring across the businesses like I thought I heard earlier, but in fact, just better execution, avoiding some of the pitfalls that you had last year, and what have you?

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**Dave Wathen** - *TriMas - President, CEO*

Me giving the businesses, I'll say "permission" to de-emphasize some lower margin lines, take a hit to the growth rate but exchange for higher margins, a whole lot of that kind of thing.

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**Scott Graham** - *Jefferies - Analyst*

Great. Thank you.

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**Operator**

(Operator Instructions). And it looks like we have no further questions. I'll turn the call back over.

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**Dave Wathen** - *TriMas - President, CEO*

We really appreciate the attention and the input. I am feeling like we're all going to like 2015. We're all dealing with a whole bunch of stuff. But that's what we do. And so I would ask you to have that as a takeaway from this, that we've got a lot of good stuff going on. Big and smaller. And we've got a lot of good people getting it done. And I'm happy with where we're at. So much to do, but thank you again.

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**Operator**

That does conclude today's conference. We thank you for participating.

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