PARTICIPANTS

Corporate Participants

Sherry Lauderback – Vice President-Investor Relations & Communications, TriMas Corp.
David M. Wathen – President, Chief Executive Officer & Director, TriMas Corp.
A. Mark Zeffiro – Executive Vice President & Chief Financial Officer, TriMas Corp.

Other Participants

Matt B. Koranda – Analyst, ROTH Capital Partners LLC
Ken H. Newman – Analyst, KeyBanc Capital Markets, Inc.
Karen K. Lau – Analyst, Deutsche Bank Securities, Inc.
Robert Kosowsky – Analyst, Sidoti & Co. LLC
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Sara A. Magers – Analyst, Wells Fargo Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone, and welcome to the Second Quarter 2014 TriMas Earnings Conference. As a remainder, today's presentation is being recorded.

At this time, I would like to turn the conference over to Ms. Sherry Lauderback. Please go ahead, ma'am.

Sherry Lauderback, Vice President-Investor Relations & Communications

Thank you, and welcome to the TriMas Corporation second quarter 2014 earnings call. Participating on the call today are Dave Wathen, TriMas' President and CEO; and Mark Zeffiro, our Executive Vice President and Chief Financial Officer. Dave and Mark will review TriMas' second quarter 2014 results as well as provide details on our outlook. After our prepared remarks, we will then open the call up to your questions.

In order to assist with your 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 a replay code of 3923586.

Before we get started, I would like to remind everyone that our comments today, which are intended to supplement your understanding of TriMas, may contain forward-looking statements that are inherently subject to a number of risks and uncertainties. Please refer to our Form 10-K for a list of factors that could cause our results to differ from those anticipated in any such forward-looking statements. Also, we undertake no obligation to publicly update or revise any forward-looking statements, except as required by law. We would also direct your attention to our website, where considerably more information may be found.

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

David M. Wathen, President, Chief Executive Officer & Director

Thanks, Sherry, and good morning to everyone on this call. All of us at TriMas truly appreciate the attention and interest shown by your participation today. My overall message is similar to many of our previous quarterly earnings calls; steady improvement in overall metrics despite flat markets and some noteworthy successes in our pursuit of bright spots and plenty of actions and opportunities to continue improving our company.

We also continue to focus on improving the mix of our businesses, in line with our strategic aspirations. There is no doubt that the management effort and investments required for implementation can create short term margin pressure but the longer term impacts are positive and support these actions. Much of my role at TriMas is to strike the optimum balance between the two. Overall, our Q2 sales increased 7% to a record level, with operating profit up 10% and a margin percentage increase of 30 basis points versus Q2, 2013 all excluding special items.

This was accomplished in the face of continued challenges in the Energy markets, choppy demand for my aerospace distribution customers resulting in some inefficiencies and EPS headwinds related to share count and tax rate. I am pleased with our many accomplishments in Q2 but margin expansion would have been greater without these headwinds. Before Mark provides segment details on our second quarter results, I'd like to update you on four topics that we'd concentrate on.

Bright spots in our markets are continued investment and innovation for growth, margin improvement and portfolio management. We have included slides on each of these topic. I've shared this list of bright spots on Slide 5 before. Here it is with the few updates. The encouraging message here is that each of our businesses find growth opportunities despite the lack of tailwinds in most economies. Throughout this call we will share how we are successfully pursuing these bright spots focused on faster growing markets.

We continue to ramp up our packaging capabilities in Asia, add content to our aerospace offering and leverage our manufacturing footprint around the world to highlight a few. We have also continued our focus on innovation in applied technology to support our customers' needs and drive topline growth. Organic growth by way of innovation is one of our strategic aspirations. So we work hard to strike the correct balance of innovation spending and productivity to keep TriMas rolling profitability. I've just traveled to each of our businesses for quarterly operating reviews and put together a list of some of our current innovation projects. A few highlights are here on Slide 6.

In packaging, new product programs drive growth with our customers. If you shop for hand soap, you are now likely to see a free standing battery powered dispenser that ejects foam into your hand automatically. We are now in full production on this higher end pump. Our energy team continues to rollout new higher spec products, better tools for application, and self-produced materials at better margins than previously outsourced materials.

Our aerospace business is also focused on higher spec products, including the shipments of new bolts that sheer flush so that our customers have less finishing work. Aero has launched a new higher horsepower engine line to help customers with tougher applications and even though our Cequent team has been busy with plant moves, they have launched several new products, redesigned our brake controllers and updated some shipping processes and added capabilities to service increased internet business.

Without sacrificing our growth efforts, operating profit margin improvement is a key priority for all of us at TriMas. We have many Company programs and business specific projects focused on margin expansion. Two quarters ago, I shared Slide 7 with you providing our tactics for long-term margin expansion. You've heard me say that this is an ongoing multiyear work in progress. What matters to us is continuous improvement, balancing the short term versus the long term, and leveraging the commonalities across our businesses to enhance speed.

So far this year Packaging and Aerospace are significantly outgrowing the TriMas top line average. We have a project team meeting monthly on acquisition margin expansion. As you would hear from Mark, our Engineered Components businesses are at margin level close to historical high, Cequent Americas margin level exceeded 13% in Q2 and our headquarters costs are on track. These are simple, straight forward tactics to grow TriMas's operating margin to the mid-teens. While we will have pluses and minuses in execution, I believe we are demonstrating progress.

Slide 8 summarizes some of our current shorter-term margin improvement activities from our recent operating reviews. We have taken many positive actions and also immediately addressed some negatives that have occurred. A few highlights include the successful ramp-up of our second China packaging plant, in combination with the three additional plants from our Lion Holdings acquisition announced this week, address our need for in market capacity to support the rapid growth this business is experiencing in Asia. We can also use this capacity for currently outsourced volume. We have many actions underway in Energy to improve our product mix and reduce costs and response to the market changes we have seen. The goal is to improve profitability of standard products, which has been on our to-do list for a while, but has now moved way up in priority.

In Aerospace, we are working toward a more attractive product mix, freeing floor space for new products and responding to the ongoing slowdown in Defense business. On margin, Aero engine wins the most improved award, driven by actions including price increases and successful reentry into the compressor sales after existing compressor leasing earlier this year. Besides the leverage Norris is getting from its 2013 small cylinder asset acquisition, they are also improving material yield and cylinder production.

And at Cequent, the main cost out action is capitalizing on our investments in new plants Reynosa and Juarez. Gross margin started improving Q1 and now in Q2 we are starting to see operating profit improvement as the warehouse shipping systems adapt. Overall we are committed to keeping a large list of margin improvement actions and executing well.

Shifting gears to portfolio management on Slide 9, you know that I'm happy with the businesses we are in. Yet we always need a certain amount of fine tuning around the edges to realign ourselves with changing markets and conditions. These actions include divestitures, business combinations, closures, new capacity additions and acquisitions. Several of our more recent actions are listed here, starting with the packaging acquisition of Lion Holdings we announced on Monday. We are excited about this acquisition because it provides needed in-market capacity, high quality plants with expansion opportunities and talented people with a track record of serving the customers we know.

I have commented for the past several quarters about our need for added capacity to serve our global dispenser customers who are growing in Asia and that we needed to either build or buy capacity. There is a speed and ramp-up advantage in buying. Plant location matters due to cross border duties and permitting and approval processes are cumbersome for both Greenfield plants and acquisitions.

This acquisition of three plants checks this boxes for us and in combination with our new packaging plant in China for in-country sales, we have become a much more valuable supplier for our key customers throughout the faster growing markets in Asia. The Lion plants in India and Vietnam are good, well run plans and will only get bigger and better with our volume and investments. I'm proud of our team for their dedication to the transaction process and that they are growing full speed in integrating the Lion plans into our business.

Moving on to other businesses, we have closed a less profitable energy branch in China and reconfigured and downsized our energy capacity in Brazil as the offshore oil projects there have been delayed. In Aerospace and Defense, we are successfully winding down our ammunition shell making business, such that by next year our only Defense related business will be the aerospace fasteners that we sell to distributors.

We also continue to adapt to the secondary effects that smaller distributors of this defense declined and Boeing switched to direct stocking. We continue to work on our pipeline of strategic, bolt-on acquisitions, geared towards the aerospace and packaging businesses.

Most of these portfolio improvement actions do require people and financial resources, that all are focused on improving TriMas for the future. Overall I feel positive about what TriMas people are accomplishing in the short-term versus long-term trade-offs we continue to make, particularly in the areas I've discussed. We owe it to you and ourselves to continuously improve TriMas.

Now Mark will update you on our Q2 financial and segment performance. Then I'll be back to summarize what all this means going forward.

A. Mark Zeffiro, Executive Vice President & Chief Financial Officer

Thank you Dave and good morning. Before we move on to the financial results, I'd like to make few comments to frame our quarter and to put our 2014 outlook into context. During the quarter we made significant progress on several key initiatives, yeah, also faced some headwinds that impacted our results.

I'll discuss these positives and headwinds within three categories; end markets, business operation and structural impacts and provide a few examples of each. First on the end market front. All of our packaging markets experienced growth, industrial closures and specialty dispensing systems in North America and Europe as well as continued growth in Asia.

Our Energy end markets, while they appear to have stabilized, have not shown any significant signs of improvement in the quarter, nor are we expecting significant improvement in the back half of the year. As a result, we will continue to take actions to improve our short and longer-term profitability.

The Aerospace distribution end market has shown some pressure in order rates and demand choppiness as commercial aircraft manufacturers change their ordering practices. We also experienced lower demand for Cequent products in Australia as a result of uncertain economic conditions in that region.

Second, regarding business operations impacts, our Engineered Components businesses delivered their improvement actions launched in 2013 quite well to have higher margins and leverage their manufacturing facilities. Packaging is operating well on all fronts. Also Cequent Americas is now starting to see the positive impact of the move to Mexico as these production levels and distribution processes improve.

Aerospace and Defense experienced supply challenges in the quarter and this combined with disruptive order dynamics resulted in weaker profit conversion for the quarter. They continue to work on enhancing their ability to efficiently serve their customers choppy order patterns and small lot sizes. So some improvement is required here. And we have continued to execute on our acquisition, integration and optimization plants to drive long term benefits from these investments.

Finally we experienced some headwinds and tailwinds from a structural standpoint as well. Our share count this quarter was 13% higher than Q2 2013 which had an impact of $0.09 for the quarter. Our tax rate guidance for the year was 27% to 29%, but appears to be trending closer to 30% as the mix of our income shifts from forecasted levels between businesses and more towards domestic versus non-U.S. geographies. This could represent up to $0.10 per share headwind for the year if current mix trends continue. On a positive side, our work to reduce our debt levels and interest rates continues to pay off as we had lower interest expense in Q2 2014 as compared to Q2 2013 by $0.03 per share.

I'll now provide additional color on total company performance for the quarter on Slide 11. Our record quarterly sales were $404 million, a 7% increase compared to second quarter 2013. Our bolt-on acquisitions contributed significantly with the remainder of the sales increase driven by our expansion in international markets and new customer wins.

These increases were offset, or at least partially offset by the impact of $4 million decrease related to the sale of our Italian rings and levers business and Packaging in Q3 of 2013, and Energy decline of more than $6 million in sales due to the delay in turnaround activity and lower sales to our Engineering and Construction customers.

We're pleased that our growth initiatives were able to substantially offset these headwinds in the quarter. Q2 operating profit was $48 million, excluding special items with a related margin percentage of 11.8%, an increase of 30 basis points compared to the prior year period.

As Dave discussed, we continue to focus on margin improvements actions on all fronts. Second quarter 2014 net income would have been $29 million excluding special items, an increase of 7% compared to Q2 2013. We achieved a Q2 EPS, excluding special items of $0.65, down from Q2 2013. The benefits of higher operating profit and lower interest expense were more than offset by the 13% higher weighted average shares outstanding and a higher effective tax rate in Q2 2014.

Second quarter 2014 free cash flow and working capital were in line with expectations. During Q2, 2014 we generated more than 36 million in free cash flow and are ahead our 2013 year-to-date performance. We ended the quarter with $368 million in totaled debt, a decrease of more than 23% compare to June 30, 2013 and an increased compare to prior year end, due to the seasonality of working capital to support our businesses, as well as the use of R51 million in cash to acquire the remaining interest in Arminak and our packaging business.

At quarter end our leverage ratio was 1.8 times and we had more than $394 million of cash and aggregate availability under our credit facilities. On a year-to-date basis, the numbers and trends are fairly consistent. Sales increased almost 8% during the first six months of 2014. Operating profit increased 11%, an improvement of 40 basis points and income increased 8%, excluding the special items.

At this point I'd like to share a few highlights on our segments beginning with Packaging on slide 13. Packaging has had strong start of the year with sales increase of nearly 10% for the quarter. Excluding the impact of the Q3, 2013 divestiture, Packaging sales would have increased more than 15%. Our sales efforts continue a ramp up and our second manufacturing facility in China, combined with the Asian plants of Lion Holdings provide additional low cost facilities and support local commercial expansion in this growing market. These new facilities will have a positive impact on margins overtime, as we use less outsource capacity and automate for efficiencies. Packaging remains focused on sustainable operating profit margins to the mid-20% range. End market growth prospects remain positive for the segment and will continue to support the launch of new dispensing and closure products.

Moving on to Slide 14 Energy. Second quarter sales decreased 11%, compared to the record level of year ago due to the continued end market challenges that started during the back half of 2013. This weaker shutdown activity resulted in a less favorable product mix toward standard bolts and gaskets. During the quarter we also experienced lower demand of approximately $4 million of our Engineering and Construction customers, who experienced a higher than normal demand in Q2, 2013.

We took and will take more actions to improve profitability and reconfigure our business in Brazil to better reflect the current demand. We continue to focus on the items we can control, improving the cost structure and optimizing our expanded geographic footprint and expect that these efforts will strengthen Lamons moving forward.

On Slide 15, Aerospace and Defense sales for the second quarter increased 38%, as compared to a year ago period, of which approximately half was driven by organic initiatives and half as a result of acquisitions. We continue to leverage the 2013 acquisition of Martinic Engineering and Mac Fasteners, which have expanded our content on aircraft.

As I mentioned earlier, we continue to see choppy order demand and smaller lot sizes in Aerospace distribution channel, which along with the supplier issue resulted in significant manufacturing inefficiencies in the quarter.

We also experienced a less favorable sales mix within our product lines and as a result of lower profit margins associated with our acquisitions. We expect the overall margins of this segment to increase as we improve our lead times and by leveraging our investments and facilities and equipment and also driving margins of our acquired businesses through our integration efforts.

Moving on to Slide 16, Engineered Components; sales increased near 9%, primarily due to a small cylinder assets acquired during 2013. Sales of engines decreased, which was partially offset by increased gas sales in gas compression products.

Although Engineered Components did not experience significant increases in demand, the recent actions we have taken in the businesses improved operating profit and margin significantly, up 407 basis points year-on-year, due to price increases, cost reductions and favorable product sales mix shift.

On Slide 17, we show the performance of Cequent split into two segments. Q2 sales for Cequent Americas reached a record level due to increases within the retail and aftermarket channels. While our production move to Reynosa, Mexico was completed as we entered 2014, we continue to ramp up the productivity and efficiency of this facility including efforts to optimize the new production, supply chain, and distribution processes for this business.

During Q2 we started to see the benefits in our margins with a 210 basis point improvement as the new distribution hub improved efficiency and backlog was significantly released. We remained focused on making these facilities more efficient.

Cequent APEA, representing our business in Asia Pacific, Europe and Africa, sales increased 14%, compared to a year-ago period, primarily due to the 2013 acquisitions in Europe. This increase was partially offset by lower sales in Australia and the negative impact of currency exchange.

Second quarter operating profit and margins decreased, primarily as the impact of higher sales was more than offset by the incremental cost related to the acquisitions and less favorable product an regional sales mix.

Global Cequent continued to leverage its full product line, commercial relationships and strong brands around the world. We expect to capitalize our new lower cost structures around the world by supporting our customers in those regions.

In summary, Q2 represents another quarter of high single digit sales growth, in line with our strategic aspirations. Our businesses continue to find organic growth opportunities in these certain markets and augment our growth through bolt-on acquisitions. Margin improvement remains a prominent topic for TriMas and our businesses with a bent towards focusing on what we can and should control.

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

David M. Wathen, President, Chief Executive Officer & Director

Thanks Mark. Now I'd turn more forward looking and share our expectations in the second half of 2014. While I am pleased with the progress on our growth and margin improvement initiatives, we continue to face challenges in a couple of our business and the demand environment continues to be extremely choppy overall.

We have not experienced and are not counting on a significant improvement in our Energy markets and we are taking the appropriate actions to enhance the margins going forward. And as Mark mentioned, Aerospace margins were lower than anticipated in Q2 and we managed through the channel disruptions with our distribution customers and the inefficiencies it caused us.

Our sales growth guidance remains at an increase of 6% to 8% as compared to 2013 as our planned growth initiatives are offsetting weak economies and the lack of turnaround activity in the Energy end market. While we are sticking to the EPS guidance of $2.15 to $2.25 a share that we provided at the beginning of 2014, the headwinds continue to offset all of the positives we are achieving.

In addition, the recent Lion Holdings acquisition has a short term negative impact on the remainder of the year and our tax rate is drifting higher due to the mix of countries were the income is being generated. So overall, we had many improvements, offset by several headwinds. I'm quite cautious about the end markets in the next couple of quarters and expect full year 2014 EPS to be closer to the lower end of this range.

However, we continue to focus on capturing the opportunities and mitigating the risk we face and therefore we are sticking to this range as I mentioned previously. And regarding free cash flow, we are off to a solid start and outperforming 2013 so far and see continued opportunities. At this point we are also sticking to our original guidance of $55 million to $65 million.

Before I close, I wanted to remind everyone of the financial aspirations we are working toward on Slide 20. No changes here. We balanced our efforts and make ongoing tradeoffs and prioritizations to achieve this balanced set of metrics over the longer term. In summary, our value proposition is our balance portfolio, multiple growth programs and continuous productivity to fund programs and improve margins. We are all here to continue and improve every part of TriMas.

At this point, we'll be glad to take your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And we'll go first to Matt Koranda with ROTH Capital.

<Q – Matt Koranda – ROTH Capital Partners LLC>: Good morning Dave, Mark and Sherry. Thanks for taking my questions. Just wanted to start out on the packaging segment and the recent Lion Holdings acquisition. I know you guys have mentioned how it helps with end market capacity and continued growth in Asia with existing customers and I know they have facilities in India and Vietnam that you mentioned. Location matters due to cross border duties. So I was wondering, are these the primary end markets that you're going after with the acquisition or are there other end markets that you can serve from these locations? And where do you see the opportunity?

<A – Dave Wathen – TriMas Corp.>: There is no doubt, India is a primary end market that we are targeting. And you also know we have already upped the ramp curve in China and kind of starting up the ramp in India. But you'd almost have to ask one of our customers who really makes the plans for growth with the middle class but you'd say that the statistics say India is [indiscernible] (28:18) who wins the horse race on the size of those markets. India is mighty attractive and there is a big change going on in the middle class expanding fast in India.

So our job – our choice is to follow our customers. So you got to put India. China of course is well started and ramping and will for a while. India is just getting started. Vietnam is also just getting started nicely. This is playing so much smaller. And then you got look at the rest of the places too, Malaysia, Philippines, all the other places that we all know that middle class is growing 5%, 6%, 8%. And so it's attractive and these plants do – they are in the right places to mitigate a lot of that duty problem. There'll still be a little of it you may see us talking about, another one down the road but these fit well. That's why we worked so hard to get this acquisition done.

<A – Mark Zeffiro – TriMas Corp.>: And Matt, I would add one thing for you as well as – as you think about production and production efficiencies across the region, the implication has being solely China based versus having our footprint in multiple locations in South East Asia and Asia at large gives us the opportunity to be able to shift volumes as necessary. So this is really – it hits many of the strategic imperatives that Dave made mention in terms of growing and emerging markets but also in terms of giving us flexibility in terms of production.

<Q – Matt Koranda – ROTH Capital Partners LLC>: Great. That's very helpful guys. And just as a quick follow-up to that, how do you guys think about valuation for fast growing packaging businesses in Asia? Obviously it's going to be different in some of the other segment acquisitions, given different growth and margin profiles there, but just could you frame out your thinking a little bit for this on – what you looking for in potential other acquisitions in packaging in Asia aside from sort of the growth in margin profiles?

<A – Mark Zeffiro – TriMas Corp.>: Yeah. Matt, let me try this, is that the – we benchmarked and always look outside-in, in terms of what the market is currently trading at and indeed that's one of the things we considered in the valuation associated with Lion. We also look at what this means to us financially and the implications of what we wanted to do the ramp this structure. So we look at it from a net present value perspective, we look at it in terms of the return on capital implications. And so that's where we come up with what we think this is worth to us as a corporation. So outside-in is the most important thing I want you to remember, is thinking about those traded multiples is one of the most important things we assess.

<A – Dave Wathen – TriMas Corp.>: And of course for us this is kind of a double. It's currently well run plants – certain customers are making money at it. And then capacity that is we know from experience quite difficult to build from a Greenfield, both from, everything permitting and approvals and all that right through the time it takes to ramp up. So this allows us to hit the ground running.

And you know we have quite a bit of outsourced volume still from the Arminak acquisition. So this checks that box. So this is good one.

<Q – Matt Koranda – ROTH Capital Partners LLC>: Great, guys. Thank you for the commentary and I'll jump back in queue.

Operator: And from KeyBanc Capital Markets we'll go next to Steve Barger.

<Q – Ken Newman – KeyBanc Capital Markets, Inc.>: Hi good morning. It's Ken Newman on for Steve.

<A – Dave Wathen – TriMas Corp.>: Good morning.

<Q – Ken Newman – KeyBanc Capital Markets, Inc.>: Good morning. So you generated about $2.5 million of free cash flow in the first half and you maintained your full year guidance for $55 million to $65 million. So using rough math, that suggests that back half net income is going to equal about your expectation for the back half of free cash flow. So is that run rate of getting back toward a 100% net income conversion, is that sustainable in your mind in 2015?

<A – Mark Zeffiro – TriMas Corp.>: One of the things that we look at and Dave holds us accountable is being more asset efficient and return on invested capital is part and parcel of that metric. That's what we're striving for. Remember though, the back half is when we liquidate cash out of our balance sheet. We use cash in Q1, we use less or generate cash in Q2, and Q3 and Q4 is exactly when you should see those kinds of dynamics.

<Q – Ken Newman – KeyBanc Capital Markets, Inc.>: Got it.

<A – Dave Wathen – TriMas Corp.>: So there's always going to be there for us seasonality curve, in cash flow.

<Q – Ken Newman – KeyBanc Capital Markets, Inc.>: Great and just a follow-up. Speaking of seasonality, as you think about the cadence of earnings in the back half, you expect year-over-year growth in each quarter or is there anything else, seasonal or structural that will cause one quarter to outperform or underperform the prior year?

<A – Mark Zeffiro – TriMas Corp.>: When you think about our earning streams, Q2 is typically the largest, Q3 is second largest, Q1 is third and Q4 is the lowest level of profit for us as a company just to our seasonality. That's kind of our historical trend.

<A – Dave Wathen – TriMas Corp.>: And of course acquisitions mix up the math on that. But it what we all do.

<A – Mark Zeffiro – TriMas Corp.>: I'd also remind you that in Q3 of last year, there was a gain that was realized as part and parcel of the sale of that Italian business. So that's an important thing to consider when you're thinking about Q3 profitability.

<Q – Ken Newman – KeyBanc Capital Markets, Inc.>: Okay and just one last one from me. You've guided to the lower end of $2.15 and $2.25 EPS range. What was the primary factor that changed during the quarter to cause that view and from a sensitivity standpoint, what are the two big or three big variables that we should be thinking about that could swing in the other direction?

<A – Dave Wathen – TriMas Corp.>: Well I tried to specifically say we aren't counting on a return of the Energy markets. I talked about control. So we are making sure we've got that business configured to run at current kind of market sizes. There could be – so that's a variable.

The other one that were our – that has drifted against us is tax rate. And I've got an education recently that I always knew tax was complex and it's even more complex with all those moving parts we've got going on and we can't count on driving tax rate down much. And so I would call those, they had some variables. It really comes down to – what will affect us on the upside is order rates, particularly in the businesses that leverage up fast. Aerospace, Packaging. In Engineered Components we tend to leverage up further quickly too. And so I'd say that's the variable. And you know me, I'm not going to count on some upturn until it's in place.

<Q – Ken Newman – KeyBanc Capital Markets, Inc.>: Got it. It's very helpful. Thanks guys.

Operator: And we'll go next to Karen Lau with Deutsche Bank.

<Q – Karen Lau – Deutsche Bank Securities, Inc.>: Thank you. Good morning.

<A – Dave Wathen – TriMas Corp.>: Good morning, Karen.

<Q – Karen Lau – Deutsche Bank Securities, Inc.>: Just a quick question, a quick follow-up on Lion. So how much – are you expecting any dilution this year from – you mentioned higher tax rate but any dilution from integration costs and so forth? I guess beyond that, I guess we should see it as more of a sales synergy play because you're expanding your capacity. So if you think out one year, what would the sort of the accretion that you're looking at?

<A – Mark Zeffiro – TriMas Corp.>: Karen, when you think about it, we're still on the process that doing the final valuation, understand the implications in terms of intangibles and purchase accounting and those kind of things. So that's clearly going to have an effect in Q3 and obviously a burn off in inventory in Q4.

I'm at a point whereby I'm not saying it's dilutive but it's likely not to be accretive in the year. As for go forward, it's not just sales synergies but it's also production and production cost synergies, that in terms of gross margin opportunity here for the [ph] repeat (37:05) business. So with that said, more to come in terms of how we leverage that business in terms of 2015. How much you want to go further, Dave?

<A – Dave Wathen – TriMas Corp.>: No I'd just – I would just remind you that – for after a decade of trying to be in the go-to place for low cost manufacturing, we're now – you hear this from everybody, cost climbing in China. Mexico is more than cost competitive with China. You can also say that for sure about Vietnam and India. So you take the short term bumpiness out of integration and moving and all that, and this is good stuff for our cost base in manufacturing for these kinds of products.

<Q – Karen Lau – Deutsche Bank Securities, Inc.>: Okay that's helpful. Okay if I may go to aerospace for a minute, do you see the order pattern, the smaller lot size, do you see that pattern to persist or is it a one-time transition thing and if it's going to be a more structural phenomenon, what can you tell us what kind of steps you have taken to adapt to those kind of order sizes? And then what type of margins should we be expecting in the second half for Aerospace?

<A – Dave Wathen – TriMas Corp.>: The – I think in every business lot sizes keep getting smaller and that's why – you've heard me say that for multiple years. It's probably hitting a little later in aerospace than it has other businesses. It's particularly – I'd say it's particularly intense right now for a few reasons. Obviously Defense macro continues to kind of slowdown and don't – we basically sell to Boeing and Airbus the OEM stuff and then basically our other stuff goes through distribution. Not quite that simple but if you think of it that way, in the distribution channel, they're getting battered by that ongoing slowdown in Defense that they are used to selling our products to, like a defense application of a helicopter or like that. They are also getting the secondary effects of Boeing going through a lot of direct stocking programs and I've told you before, we've had the effect. We build – tend the fuel stocking programs direct for a few quarters. Now we're there and now Boeing has to burn off what they had in the distribution channel.

So that stuff flushes out in a quarter or so and gets better. The outcome of all of that is you learn to run smaller up sizes with machine tools that set up faster and everybody calls it lean but it's really about learning how to run – it's not a lot size of 1 in fasteners, but to run a lot size of hundreds instead of thousands efficiently.

And we all know the drills and tactics for that. We've got people that help with that and do Kaizen events and all that sort of thing, it would just keep chipping at it. The last I commented – because you're seeing the change in the profile of our Aerospace business via acquisition, Mac Fasteners is a distribution supplier. So the mix of distribution has gone up. And you throw that all together, but the effect of Boeing going direct flushes out kind out over a few quarters and the -we get better and more cost efficient at small lot sizes over the course of a few quarters. So the upsides will occur and whether it takes one, two, three quarters, it's that kind of range.

<Q – Karen Lau – Deutsche Bank Securities, Inc.>: Okay. So structurally...

<A – Dave Wathen – TriMas Corp.>: It will increase.

<Q – Karen Lau – Deutsche Bank Securities, Inc.>: So structurally we're still looking at the 20 something percent margins but you won't expect to get back up there in the next two quarters, given the dynamics that we talked about?

<A – Dave Wathen – TriMas Corp.>: Well if you set an operating review, you'll hear me talking about doing it faster. But realistically it takes a while, new equipment, new tools, new layouts, they take a couple of quarters.

<Q – Karen Lau – Deutsche Bank Securities, Inc.>: Okay. And if I could squeeze one more in on Energy. Could you provide us with more granularity on how you plan to improve your margins over time? I know you have talked about – you've closed some of the facility, or capacity in China and introducing new products. But in the absence of improvement in – or pick up refinery MRO, how should we think about the timeframe in terms of margin getting back to the high single or even though double digit?

<A – Dave Wathen – TriMas Corp.>: Multiple quarters is the timeframe because the tools and tactics you've seen everywhere, us and our peers use them. Deciding where you build, deciding how you make the first buy decisions, all that kind of stuff and we've got a nice list of that stuff going on. We – I had my headquarters Ops people help them as we work through that. We've brought in some people that help with all that. I'd rather you see the effect and pretend I could preannounce any of those kinds of programs. But I can assure you, we've done it before, we know how to do it, and we will keep at it.

<A – Mark Zeffiro – TriMas Corp.>: I will draw two parallels for you Karen. Obviously Dave's supported the transformation of the production capabilities of the Cequent business at large and the realities of it are we did that in terms of better manufacturing facilities in Australia, as well as other activities. And I would also point to the actions that we're taking as a result of lean related efforts and cost related actions in the Aero business. So this is not a foreign concept. It's just this is a multi-quarter effort to be able to make this business more profitable and more long term.

<A – Dave Wathen – TriMas Corp.>: The last thing I would remind you – I bet if you went back and listened to me over the last several years and search for the worlds, I grit my teeth with the margins on the standard products but I put up with it because we're building a footprint out in energy. You would find I said that many times. It was absolutely true. I grit my teeth but I was willing to live with it. Now the pendulum has swung away from building a footprint out and making sure we've got customer coverage to now turn a little more internally and work in margins. So I – over the trend and life of manufacturing, that's where we're at right now.

<Q – Karen Lau – Deutsche Bank Securities, Inc.>: Okay, understood. That's helpful color. Thank you.

Operator: And we will go next to Robert Kosowsky with Sidoti.

<Q – Rob Kosowsky – Sidoti & Co. LLC>: Hi, Good morning guys and Sherry. How are you doing?

<A – Dave Wathen – TriMas Corp.>: Hi, Rob.

<A – Mark Zeffiro – TriMas Corp.>: Good morning Rob.

<Q – Rob Kosowsky – Sidoti & Co. LLC>: I was wondering on aerospace, Mark maybe you'll be able to do this, to kind of bucket or bridge the differential because operating income was flat versus last year. Sales were up $9 million and I was wondering if you could just breakout what was negative mix, what was acquisition related expenses or Tempe related expenses, any better way to conceptualize what were the negative contributions to not having the operating margin expansion?

<A – Dave Wathen – TriMas Corp.>: I would point to you about a little more than $1 million worth of overtime and inefficiencies in the core business and then the mix shift associated with margin rate associated with the acquired businesses. That's the two major contributors, Rob.

<Q – Rob Kosowsky – Sidoti & Co. LLC>: Okay. And as far as the $1 million in overtime, that's basically to react to smaller lot sizes and not being able to run [indiscernible] (45:11)

<A – Dave Wathen – TriMas Corp.>: It's a combination thing. Reacting to smaller large sizes, choppy demand is accurate. Things get accelerated and pushed back as everybody runs with lower inventory and so it's not just smaller lot sizes. Its timeshifts. And then we mentioned the word supplier issue. We did have a particular problem with a feed stock and in a slower world, you go find replacement but not in this world. You run it, take losses, run overtime to make it work and sort and all that sort of thing to serve your customer and then you deal with the consequences of it. And we had a lot of that. But that's manufacturing. That's the way of the world. I give a lot – but I give a lot of – I give the team a lot of credit for adapting fast.

<Q – Rob Kosowsky – Sidoti & Co. LLC>: Okay and then I'm also just kind of confused too on the all of a sudden change into small lot sizes. Is this something that just happened in 2014? Did you see this in 2013 but you were able to handle it a little bit better and just kind of why the sudden change in buying patterns all of a sudden this year?

<A – Dave Wathen – TriMas Corp.>: The shock to the system is Boeing going direct. And it used to be distributor stocking lines form and now us and other OE providers stocking the mid-max line in the plants. That's the shock to the system. Other than that it's the – distribution is tough business nowadays and there has been just so much change in it and acquiring each other and all that and it winds up kind of coming back on suppliers like us. I would say it's been an ongoing trend. It came later to this industry than we've seen it in some other industries.

<Q – Rob Kosowsky – Sidoti & Co. LLC>: Okay, that's helpful. And also kind of an operating profit bridge with Cequent. Sales were up a little bit this year just you saw nice almost $4 million increase in operating profit and I'm wondering how much of that was just efficiencies that you saw from the new Mexican plant and how close that whole system is to running optimally or where you would like to be?

<A – Dave Wathen – TriMas Corp.>: It's substantially occurred in – because of the Mexican plants but I did comment – we saw a gross margin improvement, which Mexican plant effect the first quarter. Now we're seeing operating profit, meaning we're getting it through the supply chain and the warehouse systems and shipping and all that, which had been a real bottlenecked, because our run rate through our big warehouses doubled in second quarter over first quarter. You can imagine that we were jumping through hoops. Now that said, are we there yet? No. The other thing I've learned to look at is how many split shipments are you making? We're still making a lot of split shipments, meaning we've done an order for X, we have to ship it from two different warehouses or ship it in two lots, pay more shipping and packaging and transaction costs. And so yeah, there is plenty of improvement to come yet.

<Q – Rob Kosowsky – Sidoti & Co. LLC>: Okay but would you say that maybe half of or more than half of the opening profit growth could have been just due to Mexico?

<A – Dave Wathen – TriMas Corp.>: Yeah easily. Call it the move. Because we moved the whole warehouse at the same time too and now that's coming online. But it's not – like say, it's not optimum yet.

<Q – Rob Kosowsky – Sidoti & Co. LLC>: Okay.

<A – Mark Zeffiro – TriMas Corp.>: I also tell you that another chunk of that is the improvement in the acquisitions that were made in this business, both on the retail side of the house as well as the performance product side of the house. So more work to do but that's like a clear improvement year-on-year.

<Q – Rob Kosowsky – Sidoti & Co. LLC>: Okay that's helpful then two last questions. One is on the line acquisition. I'm wondering with the revenue opportunity from the manufacturing base that you brought at Lion is like? You've obviously planned to run those plants at full capacity. What is the revenue capacity of that system?

<A – Dave Wathen – TriMas Corp.>: Our view is the plants could double in revenue with minor CapEX changes.

<Q – Rob Kosowsky – Sidoti & Co. LLC>: Okay and then finally just to make sure I have the tax rate. So previously you were looking for 27% to 29% and now you're looking for 30%. Is that right Mark?

<A – Mark Zeffiro – TriMas Corp.>: That's where it's trending, Rob. The reality is the current outlook in terms of income would support that kind of rate.

<Q – Rob Kosowsky – Sidoti & Co. LLC>: Okay and so just doing the math right, at 28% tax rate to 30%, that's like a $0.06 headwind, is that kind of ballpark correct math?

<A – Mark Zeffiro – TriMas Corp.>: Yes, you're in the neighborhood.

<Q – Rob Kosowsky – Sidoti & Co. LLC>: Okay. Thank you very much.

Operator: And from Jefferies we'll go next to Bhupender Bohra.

<Q – Bhupender Bohra – Jefferies LLC>: Hi, Good morning guys.

<A – Dave Wathen – TriMas Corp.>: Good morning

<Q – Bhupender Bohra – Jefferies LLC>: So the first question I just wanted to go back to, the Energy segment here. I believe you mentioned you're going to take cost for restructuring in that business to improve margins. Can you give us some color on that?

<A – Dave Wathen – TriMas Corp.>: Not yet you know how that is. You don't pre-announce. So I'll just say stay tuned.

<Q – Bhupender Bohra – Jefferies LLC>: I believe you did actually mention Brazil in that. So I just wanted to get sense of.

<A – Dave Wathen – TriMas Corp.>: Those have already occurred. We have changed the footprint some in Brazil and done some restructuring. Really, as we look – took a hard look at what's the real ramp-up of the Brazil market, which is at the front end driven by all this new offshore oil, then how fast is that coming onshore to the refineries that are built to – and us serving those refineries. And it is just playing way slower.

<Q – Bhupender Bohra – Jefferies LLC>: Okay.

<A – Dave Wathen – TriMas Corp.>: That's – so fine. You change things to adapt to it.

<A – Mark Zeffiro – TriMas Corp.>: So Bhupender, to put a finer point on it, the special items that you'll see in the formal reporting, you'll see about $2 million of special items associated with that specific move in Brazil. We're now ready to talk about anything else on a go-forward basis.

<Q – Bhupender Bohra – Jefferies LLC>: Okay so let's switch to the demand now. I believe Dave actually mentioned about like stable demand in that business right now. Could you give us some color on how the demand actually trended during the quarter?

<A – Dave Wathen – TriMas Corp.>: There could be – you could look at weekly order rates during the quarter and say maybe it's getting better. I am not – you know me. I am not the kind of guy who says great, I'm going to straight line that forward. We are running with the premise that there has been structural shift. We have shipped more and more products that have – we sell them on the basis of longer life, that's starting to kick in. So the turnarounds just aren't as often as they used to be and so be it. We will make sure we can make money on the normal standard products that gets used all the time and we'll keep bringing out the high end products.

You could speculate a lot of stuff. There've been two new LPG plants announced in the U.S. That's a big deal for a company like Lamons. But they're long cycle projects. So I am obviously in the mode to look a little bit inward and go after costs and not count on some market rebound. If it comes, it will be great because we'll only leverage up – we'll only leverage up better but like I said, we aren't counting on it.

<Q – Bhupender Bohra – Jefferies LLC>: Okay. And just last question on the corporate expense. I saw it was down actually year-over-year. Was there something specific in that or – and what should be the run rate actually for the next second half?

<A – Mark Zeffiro – TriMas Corp.>: One of things that we're trying to do obviously is, Dave's put programs in place across every functional cost of the company. The reality of it is that that goes for corporate as well. I would also tell you that that also includes obviously the long term incentive and other incentive programs across the corporation. So that's what you are seeing otherwise affect that.

<A – Dave Wathen – TriMas Corp.>: I try to plug my ears when I hear the word Scrooge. Part of my job is to be Scrooge. And then therefore part of Mark's job is to be Scrooge.

<Q – Bhupender Bohra – Jefferies LLC>: Yeah, thanks a lot guys.

Operator: [Operator Instruction] And we go next to Sara Magers with Wells Fargo Securities.

<Q – Sara Magers – Wells Fargo Securities LLC>: Good morning this is Sarah on for Andrew Casey.

<A – Dave Wathen – TriMas Corp.>: Hi, Sara.

<Q – Sara Magers – Wells Fargo Securities LLC>: Most of our questions have been asked but I was wondering if you could kind of walk through demand or order trends by segment for Q2 and then what you're seeing so far in Q3 and kind of relate it back to a book to bill and letting us know if the segments are running above one level for that?

<A – Mark Zeffiro – TriMas Corp.>: Well, let me take a crack at it and Dave can steer over the top. Order rate's obviously been very strong in terms of Q2 in the packaging business. There has obviously been good support on new products that they've won, new customers they've won, but the core demand has also been good. Specifically we've seen improvements in the industrial side of it and the beginning of a Europe rebound.

As far as the view towards the future, we're expecting similar kind of dynamics here between now and year end. Energy, Dave already spoke extensively about order rates with Bhupender's question. I would tell you that we saw within the quarter – I will consider non-material but slight improvements through the quarter. We're not expecting a rebound for the remainder. As Dave made mention, the realities of it are is if it comes, that would be great. But what we're are going to do is we're going to force ourselves to deal in this lower volume metric environment.

As far as Aerospace and Defense, up double-digits, excluding the implications of certainly acquisitions. In the front half I would you that that volume trend is – I would consider heavier growth in the front half than we expect in the back half. So that's kind of what we're seeing there. Engineered Components is a mixed bag but basically a flattish kind of environment with really no impetus for immediate or direct change. Cequent Americas is showing good continued share as well as order rates that are outstripping POS at the retailers as well as distribution. Remember, there's seasonality that comes with the front half versus back half of that Americas business. So make sure that you're thinking through what that means for the remainder of the year.

And Australia, I would tell you that Australia had a tough quarter. And Australia is – I want to say is to tell you is the cap year business. In terms of volumes they had obviously the Ford strike in South Africa. They shut down basically the country for the labors strikes across the country. We had obviously disruption in Thailand in terms of those labor activities as well and it had a clear effect on demand. So to that end I would expect as they enter their season here in Q3 and Q4, we should see uplift in terms of relative demand.

<Q – Sara Magers – Wells Fargo Securities LLC>: Great. Thank you very much.

Operator: And we will go next to [ph] Patrick McClure with Orient Investments (57:37).

<Q>: Good morning. I was wondering if you could talk about on the Energy side of the business and if you could go into the weakness we're seeing there. The Energy sector has been very strong in the U.S. for the just last few years and even if there has been slower maintenance activity, there's still been significant growth in project spend in chemical and petro-chem companies. Is it possible you are seeing a loss of share in the U.S.?

<A – Dave Wathen – TriMas Corp.>: It's always possible but we watch mighty close and it doesn't feel like that. Remember, our – we do some project work. We have not traditionally concentrated on project work and so we have added a few people concentrated on project work. It's not a big part of the business. It's probably the upside for us but more affected by our own efforts. Our business is really the – both small and big rebuilds of plants, and they are still more spread out in time than they used to be. It affects us in particular because we – we even make standard products which are – we are going after our costs in and then we do a lot of special projects that are used for applications like fire and all that, which are more profitable for us.

But we have not seen that kind of thing with much of pick. So I agree, – and you see that overall energy affect us in the Aero Engines business too. But the part we go after, really the maintenance business is pretty flat. That's not all – in some parts of the world there is some real strength. We've seen – you pick hot spots and the little bright spots for that and some parts of Southern Europe have got a lot of – we've got some rebuilds going on and things. But we like it over the long haul but we're not counting on much of a pick up over the short term.

<Q>: Thanks. And then next I have one more follow up question regarding Energy margins. They've been declining since 2012. Are there longer term or structural issues affecting this beyond turnaround activity?

<A – Dave Wathen – TriMas Corp.>: Yeah we are spending money on taking costs out and that's – in the long string of what we do in a business like that, we're sort of in that mode and will be for a while and so yeah, you see it affecting margins.

<Q>: Great, thank you very much.

Operator: And at this time there are no further questions in the queue. I'll turn the call back to our speakers.

Company Representative

Well, okay, thank you everybody. We appreciate it. I always like the questions because it helps me understand what's on your mind and what you see as your perspective of us versus others and all that. So thank you for that. And again we – there is – we keenly appreciate your attention and interest and help in this company. We're here to keep improving this place, it feels like we are and you can count on us to keep on it. Thank you.

Operator: And ladies and gentlemen that does conclude today's conference. We thank you for your participation.