PARTICIPANTS

Corporate Participants

Sherry Lauderback – VP-Investor Relations & Communications
David M. Wathen – President & Chief Executive Officer
A. Mark Zeffiro – Chief Financial Officer

Other Participants

Rick Hoss – Analyst, ROTH Capital Partners

MANAGEMENT DISCUSSION SECTION

Operator: Welcome, ladies and gentlemen, to the TriMas Corporation First Quarter 2011 Earnings Call. [Operator Instructions] Later, we will conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder this call is being recorded.

I would now like to turn the conference over to your speaker, Sherry Lauderback. Please, go ahead.

Sherry Lauderback, VP-Investor Relations & Communications

Thank you, and welcome to the TriMas Corporation First Quarter 2011 Earnings Call. Participating on the call today are Dave Wathen, TriMas's President and CEO, and Mark Zeffiro, our Chief Financial Officer. Dave and Mark will review TriMas' first quarter results, as well as provide some additional details on our 2011 outlook. After our prepared remarks, we will then open the call to your questions.

In order to assist with your review of our results, we've included the press release and PowerPoint presentation on our company Web site, www.trimascorp.com, under the Investor section. In addition, a replay of this call will be available later today by calling 866-837-8032, with an access code of 1526333.

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 Web site, 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.

David M. Wathen, President & Chief Executive Officer

Thanks, Sherry. And thanks to all of you listening for your interest in TriMas. All of us here at TriMas are happy to report another quarter of strong results. We pursue continuous improvement of our operations, our market reach, our competitiveness and out work environment, and strong business results we enforce that we are making good progress. That said, and we intend to improve even more going forward.

Our agenda is that I'll provide my overview of the first quarter, then Mark will discuss financial metrics and some details by segment, and then I'll finish by discussing our improved outlook. Then we'll gladly take your questions.

Let's move on to Slide 4, our overview. First quarter sales are up 22.5% versus a year ago. This was above our internal forecast going into the quarter. Market demand increased for most of our products, but the bulk of the growth was due to our ramped up efforts to deliver new and improved products, our geographic growth action and our focus on some targeted share gains.

The revenue generated by the two acquisitions we made in 2010 was better than we had planned as well. We expect strong revenue growth for the remainder of the year, but not at the 20%-plus level as comparison to get tougher through the quarters. With that said, we are definitely encouraged by the results of our increased investments and growth progress.

EPS doubled, versus fourth quarter 2010, on high quality earnings growth. Our overall operating profit margin for this quarter was down 30 basis points due to a faster growth of our couple of our lower margin businesses, our investment in growth initiatives for the future, as well as our decision to delay some price increases to go after market share where we see some competitor weaknesses.

We are certainly seeing commodity and price inflation and have raised selling prices accordingly. But I'm also willing to work at timing of a price increase in exchange for share gains when we see that opportunity. We continued our focus on the basics of productivity, cash and debt reduction.

The next Slide lists some of our going forward activities. But first the reminder, TriMas now has a whole new set of tools for profitable growth. During 2009 and 2010, the team here has implemented actions resulting in a permanently lower cost structure, higher capital terms, improved liquidity, better geographic coverage, greater capacity for new product development and overall faster cycle times.

First quarter 2011 sales and EPS results show what we have gained with the potential for even more. Some current highlights are listed on Slide 5. Our TriMas businesses had good pricing power. We focused on hard to design, how to produce products that our customers need. And we needed to utilize our pricing power to offset commodity inflation, freight cost increases and higher costs, both in our home plants in China and from our plants in China where a few of our businesses source products. And as I mentioned, we're also capable of using pricing to gain share where that's useful for us.

Earlier in the quarter, several of us across the management team were in Brazil for a week pursuing new business opportunities, and kicked off several initiatives to grow TriMas sales there, similar to the Asia business development work we did last year. We are definitely encouraged by these recent trips.

Our global sourcing organization continues to contribute well. Our timing with this addition last year was favorable, since we now have more horsepower to put to bear on controlling input costs. On productivity, I've recognized since I've been here at TriMas, that we were a little behind the premier industrial companies on such tools as lean initiatives, kaizen events, attacking cost for quality and some other tactics. We've recently added some key operating people with deep experience at several businesses and established some multi-business initiatives to pump-up our future productivity.

We're also keeping after the basics. Mark and I have just finished our quarterly travels to meet with each business' leadership teams to review operations and strategic plans for the future. I also held skip-level meetings, saw plant floor re-initiatives, and was able to participate in a celebration of One Million Hours worked without a lost-time accident at our Norris facility in Texas, which I'm proud to say is the third TriMas facility to achieve this in the past year. Overall, you can tell that I'm encouraged by our operating results and our potential going forward.

Now, I ask Mark to share some additional financial and segment information. Mark?

A. Mark Zeffiro, Chief Financial Officer

Thank you, Dave, and good morning. Before we move to the financial results, I would like to reflect on our start to the year. Q1 represents our fifth quarter in a row of sales and earnings growth and another quarter in which we outperformed our internal expectations here at TriMas, making for a good start to 2011. Our structured operating model is working and we continue to capitalize on opportunities in front of us and mitigate the risks we face.

Let's start with the summary of our first quarter financial results on Slide 7. Our first quarter sales were $270 million, an increase of over 22% compared to first quarter of 2010, with double-digit percentage sales increases in several of our segments. This growth was a result of new products, new markets, the successful integration of our 2010 acquisitions, gains of additional market share, and continued demand improvement across our businesses, but especially in our industrial products businesses.

Our gross profit in operating profit increased 18% and 20%, respectively, compared to Q1 2010. During the quarter, our productivity savings continued to fund growth, and in this case, also offset commodity inflation. We still experience a slight margin decline, primarily as a result of sales mix of our segments, as the lower margin segments experienced significant sales growth during the quarter. Continuous productivity remains the priority and we're convinced that our lower cost structure will leverage well as our growth initiatives continue to accelerate.

I'll comment a little more on our margins in a few slides. Our Q1 2011 income from continuing operations and EPS both improved approximately 100%. First quarter 2011 income from continuing operations increased to $11.8 million and diluted EPS increased to $0.34 per diluted share, compared to $0.17 per share in first quarter 2010. While the increased sales volumes contributed to this increase are in interest expense reduction of approximately $2 million, also contributed during the quarter.

We used $34 million in cash during the first quarter to support our 22% sales growth and the future growth we expect. This is in line with our expectations driven by our top line growth in the seasonality we experienced. We believe we have strong cash flow businesses, even in periods of significant growth.

We still expect to generate $50 to $60 million in free cash flow for the year. In addition, we reduced our debt levels compared to year-ago, and managed a stable debt level compared to year end. In an effort to provide you additional clarity on the quarterly financial results, we've added a couple pages to our discussion this quarter.

I would like now to spend a few moments discussing our Q1 growth on Slide 8. As you can see, the majority of our growth this quarter came from Cequent North America and Engineered Components, which are our lower gross profit segments.

We saw the benefits of our growth initiatives, some competitor stumbling, as well as additional market recovery in several of our businesses. The acquisitions completed during 2010 also contributed $9.4 million to this growth. Packaging and the Aerospace & Defense segments did not show their full growth potential. For example, Packaging would have increased 10% if you were to exclude the $3.7 million of H1N1 related sales in Q1 2010. If you remember, that was in reaction to the swine flu virus that did not recur in Q1 of this year. And the trends we're seeing in Aerospace & Defense segment, which is our latest cycle business, are all positive. Overall, we believe our businesses have the right plants in place to achieve growth, and there's plenty of upside for the higher margin businesses from these growth efforts.

On Slide 9, these are just a reminder of our key growth initiatives for 2011 across all of our major businesses. We've seen some of the positive results this quarter, but many of these initiatives are just starting to bear fruit.

Moving on to Slide 10, a discussion of our operating profit margins. As I've already mentioned, our sales growth and mix of those sales during the quarter impacted margin rates. As for commodity pressures, like many of our peers, we have faced rapidly rising commodity inflation, especially in steel and resin. We've taken price actions in all of our businesses to offset these increases, but the full run rate effect is not yet in effect in the financials.

Our businesses are executing on their productivity and lead initiatives, generating savings to fund our investments in future growth and productivity, and, also, helping mitigate the commodity cost pressures. We remain committed to expanding our margin levels this year as well as in the future.

Moving onto Slide 11. Our focus to improve our terms in working capital as a percentage of sales continues to be realized. As you may recall, we ended 2010 with record low levels of working capital, and we have continued on this path in 2011. We improved operating working capital as a percentage of sales with a Q1 2011 ratio of 17.3%, compared to 17.5% in Q1 2010 and 18.1% in Q1 2009. We are pleased with these results and believe our long term target remains at approximately 13% of sales at year end. Although, we do recognize that significant growth and global expansion does add complexity to our supply chain, improvement here continues to be a focus across the company.

On Slide 12. We ended the quarter with approximately $496 million in total debt, a decrease of almost $23 million, compared to a year ago. In addition, TriMas ended the quarter with $156 million of cash in aggregate availability under our credit and revolving facilities. We are also pleased to have ended the quarter with a leverage ratio of 3.01.

At this point, I'd like to shift gears and review our business performance by reportable segment, beginning with the Packaging segment on Slide 14.

Packaging sales grew 1%, compared to the first quarter of 2010, as the growth in industrial closures was substantially offset by the lower sales of specialty dispensing products. Q1 sales would have been 10% year-over-year, excluding the $3.7 million in H1N1-related sales in Q1 that did not recur in Q1 2011.

Gross profit margin increased 250 basis points as a result of productivity and lean initiatives, and despite the rising commodity costs. Operating profit dollars and margin were flat.

We continued our investment efforts in Packaging, demonstrated by increases in SG&A in support of their growth initiatives. We're excited about the growth prospects for this segment as we continue to launch dispensing products into growing end markets, such as medical, pharmaceutical and personal care. Our key initiatives for this segment also include product expansion and geographic expansion.

Moving onto Slide 15, Energy. Energy sales increased 27% for the first quarter, compared to a year-ago period, resulting from multiple initiatives, including increased demand for gasket and bolts, and our fourth quarter 2010 acquisition of South Texas Bolt. This acquisition contributed $4.7 million in sales of the quarter, and both the integration and its performance are exceeding our expectations. This segment also benefited from our newer branches opened in Rotterdam, Salt Lake City, Edmonton, and the United Kingdom. Operating profits increased 27% with margins relatively flat when compared to Q1 2010. Our productivity and volume leverage have been partially offset by decision – our decision to add SG&A in support of opening new branches. We will continue to expand our footprint at a faster pace, as we remain committed to supporting our global customers in new markets.

On Slide 16, Aerospace & Defense sales increased 8% in Q1, 2011, compared to Q1 2010, due to improved demand for our blind bolts and temporary fasteners from aerospace distribution customers, marking the third quarter in a row of higher order activity and increasing backlogs. Our Defense business continues to be impacted by the unfavorable shift from a maintenance contract to a lower margin facility closure and relocation contract. Our operating profit was negatively impacted by a less profitable sales mix, largely offset by lower levels of SG&A.

As we move forward, we feel we are uniquely positioned to take advantage of the trend to build composite structured aircraft in our plant, support increases, and our content for aircraft. We firmly expect this business to show revenue growth, margin expansion, and aircraft build rate increase in our expanded geographic coverage bears results.

Moving on to Slide 17, Engineered Components. First quarter of 2011 sales increased 58%, compared to year-ago period, primarily due to improved demand for industrial cylinders in international markets, engines and other well-site products and compressors. Of the sales increase, $4.7 million were due to cylinder asset acquisition completed during second quarter of 2010. The specialty fittings and precision cutting tools businesses also experienced improved demand, primarily resulting from the upturn in the domestic economy and new product offerings.

First quarter operating profit increased to 126% and the operating profit margin improved 400 basis points, compared to the year-ago period, due to higher sales levels, increased absorption of fixed costs and productivity, partially offset by higher SG&A supporting the increased sales levels experienced. The company continuous to develop new products and expand its international sales efforts in this segment.

On Slide 18, we show the performance of our Cequent segments. Cequent North America sales improved 29% for the quarter, as a result of increased demand from the retail, OEM, aftermarket and industrial channels. Market share gains, new product launches and improved end markets all grew this sales increase. Cequent North America's operating profit increased almost 50% with margins up 100 basis points when compared to Q1 2010.

On the other hand, Cequent Asia Pacific sales declined when compared to Q1 2010, a quarter which benefited from Australian government incentive programs. In addition, recent Australian natural disasters had a negative effect in terms of timing, but they were also partially offset by favorable impact of currency exchange.

We see the effects of these events as temporary in nature and expect the business to rebound as the distribution chain normalizes. In these segments, we will continue to focus on productivity, product leverage and regional expansion.

Overall, we're pleased with the results of our growth and productivity initiatives, and expect ongoing improvements driven by our structured operating processes. That concludes my comments, Dave. Now you're going to discuss the 2011 expectations.

David M. Wathen, President & Chief Executive Officer

Thanks, Mark. I'll start without Slide that reminds you of TriMas's strategic aspiration and lays out our ongoing priorities. Every successful company balances its priorities to maximize value for customers, employees and owners. We utilize a structured process at TriMas of strategic planning, quarterly rolling forecasts, operating and people reviews and incentive awards to achieve this balance.

The next Slide updates our full year 2011 expectations, based on first quarter results and our current outlook. So versus two months ago, we have seen 2011 revenues up 8% to 11%, compared to 2010, and an EPS range increase to $1.45 to $1.60 per share, a $0.05 increase on the bottom end of the range, compared to our previous guidance, of a $1.40 to $1.50 per share.

We have also broadened our range to include more upside, as we feel there are more opportunities for us to potentially execute on, as the year progresses. As a reminder, this outlook compares to $1.21 in 2010 or $1.11 in 2010, if you exclude the benefits of a one-time tax adjustment we had then.

We expect free cash flow of $50 million to $60 million in 2011. I will tell you that we are still a little cautious about the second half, given current events in the world. We'll obviously know more a quarter from now.

In summary, we are seeing encouraging results from our growth initiatives and in emerging markets. We have a good start with sales engineers on the ground, and we are gaining new orders, particularly in Asia. We are utilizing the leverage provided by our lower cost structure to produce earnings and to gain share. In spite of commodity inflation, we expect to improve margin through 2011.

Our quality of earnings is good with robust cash generation expected on an ongoing basis. We are relentless in taking action to implement ongoing productivity, and we're willing to invest capital in our businesses so long to drives value.

My closing comment is that we are fully committed to continuous improvement. The first quarter had strong results, but ongoing continuous improvement is what we owe and intend to deliver to our investors.

Now, we'll gladly take questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions]. And a question or a comment from the line of Rick Hoss of ROTH Capital Partners. Please, go ahead.

<Q – Rick Hoss – ROTH Capital Partners>: Hi. Good morning.

<A – David Wathen – President & Chief Executive Officer>: Good morning, Rick

<Q – Rick Hoss – ROTH Capital Partners>: If I could just focus on raw material inflation again, it's obviously, I think, the primary focus of conference calls and earnings result, and certainly the outlook. Can you give us an appreciation for how much of the raw material inflation has been captured through price in the first quarter results, and at what point do you expect to capture 100% of the cost increase?

<A – A. Zeffiro – Chief Financial Officer>: I'd submit that there is probably better part of 50% of the commodity inflation that's already been covered through our price increases, and that other half clearly will end up being affected in the second quarter and beyond.

<Q – Rick Hoss – ROTH Capital Partners>: Okay. So first quarter results, not necessarily thinking of it as the end of March, but more so looking at the results, looking at the margin profile, this is full reflective of half of the cost capture?

<A – A. Zeffiro – Chief Financial Officer>: Correct.

<Q – Rick Hoss – ROTH Capital Partners>: Okay. Perfect. And then, on the segment basis, is there one segment that's hit harder than the others? I'd imagine that the packaging would be hit from the resin derived from oil, but how much is a Cequent hit from steel, et cetera?

<A – A. Zeffiro – Chief Financial Officer>: Two businesses really stand out in terms of the effects of steel, and that is Cequent at our businesses, as well as Norris Cylinders. That obviously is specialty alloy that's used in the manufacture of those industrial gas cylinders. And you're right, Rick, in the packaging segments, the largest effect is through the commodity [ph] affect after they been (24:12) resin cost.

<Q – Rick Hoss – ROTH Capital Partners>: Okay. And then, if I can get down to the segment levels, the Cequent growth, North America Cequent growth, was very, very impressive and it was much higher than, I think, people were expecting. Can you just give additional detail on what grows that entity? I know you said new product introductions and market share gains, etc etera; maybe just additional detail on that?

<A – David Wathen – President & Chief Executive Officer>: Yes. I'll remind you, you've heard me say that this is the kind of business that it's good to be the big full-line trustworthy supplier. And there's no doubt we've seen some competitors stumbling, and we didn't do a Web search to this segment to figure out that there is some people that have not come through as strongly we have. And you also have the general characteristic that a big installer that would be buying these products, more and more like to deal with one supplier. I think that's the overreaching theme of this. You know, we've worked a lot on the front end the business in customer service, and Web ordering and all that kind of thing, which is also helped.

Now, if you drop down a level from that, the product introductions have really been driven at what we all called heavy-duty product. Big, bigger, not over-the-road trucks, bigger pickup trucks that pull a big trailer for a farm or a construction firm, that kind of thing, and we've really concentrated on those of kind of products. And there's been a pretty decent recovery in those markets. Our flavor of a little going forward is that, of course, everybody's concerned about anybody building automotive product, what's going to happen because of troubles in Japan. And we were seeing a few, not order cancellations, but slower production rates because of that. Again, not a big concern but there's some of that in there.

I think it's also true that that's a business that has been – anything that has to do with reparation of product, like about half of Cequent is, has been pretty darn weak, and to why it's come off of – while its better, it has come off of a really weak, so the comparisons for are easier, too. So I'd say, I mean, if [ph] progress (26:39) is just the point that we are big, full-line, trustworthy and all that, and our order entry systems have gotten better, our pricing practices have gotten faster and better and all that, and its shows. And the product has been the heavy-duty product, which is where there's been recovery.

<A – A. Zeffiro – Chief Financial Officer>: Hey, Rick, I would add one more thing for you there, is that if you were to look at where the product ends up, about half of the growth came through our retail-oriented businesses, and the share gains that you get in the front-end load of that. But the other half of the growth was really spread out across the industrial base products, as well as aftermarket. So, it was really strength across the board, but I tell you that there's a good chunk there that was retail-oriented.

<Q – Rick Hoss – ROTH Capital Partners>: Okay. But it sounds like the growth wasn't necessarily some sort of aberration that we don't expect to repeat, I guess, in future periods. It sounds like these are trends that are stable, more permanent types of trends, rather than one-time benefits.

<A – A. Zeffiro – Chief Financial Officer>: Well, then, that's the reason I brought up the retail discussion, Rick, because I want to make sure that people understand that there's an aspect to which that is an initial store load going into the season. You'll have natural run rates that get pulled off shelves through normal point-of-sale activity. But there is some lumpiness in terms of Q1, in terms of that share gain.

<Q – Rick Hoss – ROTH Capital Partners>: Okay, okay. That makes sense. Okay. And then, if we could focus on Aerospace quickly. It seems to be a pretty consistent theme that you're expecting Aerospace to ramp. And I was hoping that you could provide a little bit more detail on how that, what that pattern looks like. If it's a slow linear ramp or if it's more of just waiting for some of the production acceleration, say from the 787, waiting for those to happen, and then it's a big bump. Is there anything that you could provide to us for modeling?

<A – David Wathen – President & Chief Executive Officer>: I would call it more closer to a slow linear ramp. 787 structures are being built at the latest plant, right? You know it changes many times. But so, it's not like there's all, something you could turn on there. There's a few positive bumps that we'll get because of some activities, particularly places other than Boeing and AirBus, but they, again, [ph] are total, big enough. So, I think in terms of probably a decent ramp coming at us, but not some huge jump. We are, as you know this is a business you don't dare miss a delivery, and so we are very careful on making sure we have capacity, have delivery, and all that. So, we watch carefully what the ramps are going to be, and we do understand.

<Q – Rick Hoss – ROTH Capital Partners>: And then, last question, coming back from Brazil, what do you think are the best opportunities down there on a segment basis?

<A – David Wathen – President & Chief Executive Officer>: First off, I'll tell you, Brazil is the most business friendly place I've been in a while. I saw more than I would normally see of government officials, and the message is constant: what can we do to help you do business here. But to answer your question, energy is the lead. I think that – what we all like about the Brazilian market is, number one, it's an economy that's building a middle-class pretty rapidly. That's good for us in products like packaging. And then, all the new oil will drive energy related businesses, both the oil field, pumping, you know, that kind of thing. But also, there's a lot of people with plans to build refineries and petrochem plants there, because of the increased amounts of oil companies to offshore fields. And so, that will really drive fast, and we are currently sorting out specifics on what to do, but it's what to do, not if. And I'm encouraged by Brazil as a market for the long haul.

So Energy and Packaging, there are other opportunities. We will add [ph] Amber Air (31:11). They are a very capable manufacturer. They've got some redesigns going on for all kind of- we've got our people there doing engineering seminars about our products. So, we will see some of that, too. That's a long cycle business though. Shorter term would be Energy.

<Q – Rick Hoss – ROTH Capital Partners>: Okay. Appreciate it. Thanks for the insight.

Operator: Thank you. [Operator Instructions] And I'm showing no additional questions in the queue.

A. Mark Zeffiro, Chief Financial Officer

Okay. Well, again, thank you ,everybody. We appreciate your attention. Underlining the words, Continuous Improvement, we like what we saw in first quarter, but we intend to continuously improve this company. So thank you.

Operator: Thank you, ladies and gentlemen, for joining today's conference. That concludes the program. You may now disconnect. Have a great day.