



Hammond Power Solutions Inc.

(Dollar amounts are in thousands unless otherwise specified)

HAMMOND POWER REPORTS FIRST QUARTER 2022 FINANCIAL RESULTS

GUELPH, Ontario, May 2, 2022 (GLOBE NEWSWIRE) -- Hammond Power Solutions Inc. ("HPS") (TSX: HPS.A) a leading manufacturer of dry-type and cast resin transformers and related magnetics, today announced its financial results for the first quarter 2022.

HIGHLIGHTS (First quarter 2022 compared to first quarter 2021)

- Sales increased 60% to a record \$128 million
- Net Earnings of \$8,569, exceeding the first quarter of 2021 by \$6,271
- Earnings per share increased to \$0.72, compared with \$0.19 in Q1 2021
- Order backlog increased 92%

"The diversification of geography, channels, markets and products - an important differentiator for HPS - has our business firing on all cylinders. We are seeing record booking rates in both the U.S. and Canada, along with very exciting opportunities in Mexico. In India, we benefited from strong domestic and export demand, which drove our strongest quarter in sales since we acquired our Indian transformer company. Our U.S. distributor channel continues to be the biggest engine of growth, and our OEM business is growing at its fastest pace in 7 years," said Bill Hammond, CEO and Chairman of Hammond Power. "The fundamentals of our business are driven by demand from a broad range of markets including oil and gas, mining, data centers, hydro generation, solar power, energy storage, electric vehicle recharging stations, micro chip manufacturing, industrial expansion, LNG exports, waste water treatment, and other commercial projects. Our organizational focus on the total customer experience, which includes having the biggest and broadest inventory of products of any dry-type transformer company, providing superior customer service, and offering industry leading support tools to our distributors underpins our growth in market share."

Sales for the quarter-ended April 2, 2022 were at a record level of \$127,782, an increase of \$47,661 or 59.5% from Quarter 1, 2021 sales of \$80,121. Sales in the United States ("U.S.") and Mexico increased by \$36,606 or 78.7%, finishing at \$83,111 for Quarter 1, 2021 compared to \$46,505 in Quarter 1, 2021. U.S. and Mexican sales, stated in U.S. dollars, were \$65,624 in Quarter 1, 2022 compared to Quarter 1, 2021 sales of \$36,665, an increase of \$28,959 or 79.0%. Canadian sales increased to \$38,154 for the quarter, an increase of \$10,353 or 37.2% from Quarter 1, 2021 sales of \$27,801. Indian sales for Quarter 1, 2022 finished at \$6,517 versus \$5,815 in Quarter 1, 2021, an increase of \$702 or 12.1%.

The Company's Quarter 1, 2022 backlog has increased by a record 91.9% as compared to Quarter 1, 2021 and has increased 32.1% from Quarter 4, 2021. The combination of price increases, strong demand in the back half of 2021 and early 2022, and delayed shipments due to material availability contributed to the record-high backlog.

"We are now seeing the full impact of the price increases implemented in 2021. The increase in sales and backlog is driven by significantly higher prices versus a year ago and higher demand, particularly in our OEM markets. Margins were strong in the quarter as pricing caught up to costs, and as we benefitted from strong OEM project margins," said Richard Vollering CFO of Hammond. "Looking forward in 2022, raw material costs continue to rise and as a result we will continue to monitor our pricing and make adjustments to maintain our margins. In parallel, we continue to see supply chain volatility that will continue to challenge us through the balance of 2022."

The Company saw a considerable increase in its gross margin rate for Quarter 1, 2022, which was 28.5% compared to the Quarter 1, 2021 margin rate of 24.7%, an improvement of 3.8% of sales. The gross margin rate is strongly impacted through productivity gains, material procurement and engineering cost reduction initiatives. Margin rates can be sensitive to selling price pressures, volatility in commodity costs, customer mix and geographic blend.

Total selling and distribution expenses were \$14,471 in Quarter 1, 2022 or 11.3% of sales versus \$9,807 in Quarter 1, 2021 or 12.2% of sales, an increase of \$4,664 or 47.6%. The year-over-year increase in selling and distribution expenses is a result of higher variable freight and commission expenses attributed to the large increase in sales.

General and administrative expenses were \$9,247 or 7.2% of sales for Quarter 1, 2022 compared to Quarter 1, 2021 expenses of \$6,619 or 8.3% of sales, an increase of \$2,628 or 39.7%. The increase is due to our strategic investments in people, resources and incentive plans, Mesta and Mexico general and administrative expenses, higher information technology expenses to support growth, and outside consulting and service costs.

Quarter 1, 2022 earnings from operations were \$12,658 compared to \$3,402 for the same quarter last year, an increase of \$9,256.

Interest expense for Quarter 1, 2022 was \$263, an increase of \$158 compared to the Quarter 1, 2021 expense of \$105. The foreign exchange loss in Quarter 1, 2022 was \$124 compared to a loss of \$116 in Quarter 1, 2021, a change of \$8.

Net earnings for Quarter 1, 2022 finished at \$8,569 compared to net earnings of \$2,298 in Quarter 1, 2021, an increase of \$6,271. The increase in the quarter earnings from operations is primarily a result of significant increases in sales and gross margin dollars offset by higher selling, distribution, general and administrative expenses, as well as higher income tax expense.

EBITDA for Quarter 1, 2022 was \$14,458 versus \$5,349 in Quarter 1, 2021, an increase of \$9,109 or 170.3%. Basic earnings per share were \$0.72 for Quarter 1, 2022 versus \$0.19 in Quarter 1, 2021.

Cash generated by operating activities for Quarter 1, 2022 was \$537 versus cash used in operations of \$6,854 in Quarter 1, 2021, an increase in cash generated of \$7,391. Cash used in investing activities were consistent year-over-year with cash used of \$1,527 in Quarter 1, 2022 versus \$1,581 in Quarter 1, 2021. The overall operating debt balance net of cash was \$905, a decrease of \$2,543 from the net operating cash balance of \$1,638 at December 31, 2021.

The Company continued with its regular quarterly dividend program in the fourth quarter, paying eight and a half cents (\$0.085) per Class A Subordinate Voting Share of HPS and eight and a half cents (\$0.085) per Class B Common Share of HPS on March 24, 2022.

The Company and National Material L.P. ("National") have operated the joint venture in Monterrey, Mexico under the name Corefficient S. de R.L. de C.V. Effective February 28, 2022, the Company and National have amicably agreed to divide the operations, with HPS retaining certain equipment, employees, obligations, and other financial assets and liabilities, and National withdrawing certain assets and capital in exchange for redeeming their ownership interest. The Corefficient name was also retained by National. The operation continues to produce transformer cores to supply the Group's facilities in Mexico.

THREE MONTHS ENDED:

(dollars in thousands)

	April 2, 2022	March 27, 2021	Change
Sales	\$ 127,782	\$ 80,121	\$ 47,661
Earnings from operations	\$ 12,658	\$ 3,402	\$ 9,256
Exchange loss	\$ 124	\$ 116	\$ 8
Net earnings	\$ 8,569	\$ 2,298	\$ 6,271
Earnings per share			
Basic	\$ 0.72	\$ 0.19	\$ 0.53
Diluted	\$ 0.72	\$ 0.19	\$ 0.53
Cash generated by (used in) operations	\$ 537	\$ (6,854)	\$ 7,391

Caution Regarding Forward-Looking Information

This press release contains forward-looking statements that involve a number of risks and uncertainties, including statements that relate to among other things, HPS' strategies, intentions, plans, beliefs, expectations and estimates, and can generally be identified by the use of words such as "may", "will", "could", "should", "would", "likely", "expect", "intend", "estimate", "anticipate", "believe", "plan", "objective" and "continue" and words and expressions of similar import. Although HPS believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: general business and economic conditions (including but not limited to currency rates); changes in laws and regulations; legal and regulatory proceedings; and the ability to execute strategic plans. HPS does not undertake any obligation to update publicly or to revise any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by law.

ABOUT HAMMOND POWER SOLUTIONS INC.

Hammond Power Solutions Inc. (TSX: HPS.A) is a leader for the design and manufacture of dry-type custom electrical engineered magnetics, electrical dry-type and cast resin transformers. Leading edge engineering capabilities, high quality products, and responsive service to customers' needs have all served to establish HPS as a technical and innovative leader in the electrical and electronic industries.

HPS has operations in Canada, the United States, Mexico and India.

For further information, please contact:

David Feick
Investor Relations
519-822-2441 x453
ir@hammondpowersolutions.com