



## Hammond Power Solutions Reports Second Quarter 2024 Financial Results

(Dollar amounts are in thousands unless otherwise specified)

GUELPH, Ontario, July 25, 2024 -- Hammond Power Solutions Inc. ("HPS") (TSX: HPS.A) a leading manufacturer of dry-type transformers, power quality products and related magnetics, today announced its financial results for the second quarter 2024.

### HIGHLIGHTS

- **Record sales of \$197 million in the quarter, an increase of 14.4% from quarter 2, 2023 and \$388 million year-to-date, a 12.9% increase versus 2023.**
- **Adjusted EBITDA at 16.5% of sales in the quarter. Year-to-date Adjusted EBITDA at 16.4% of sales. Year-to-date Adjusted EBITDA increased by 16.7% year-over-year.**
- **Gross margin of 32.8% for the quarter and 32.3% year-to-date.**
- **Net Income of \$23.6 million in the quarter, earnings per share of \$1.98. Year-to-date net income of \$31.5 million, earnings per share of \$2.44.**

"Hammond Power Solutions had a busy and exciting second quarter with the official opening of a new factory in Mexico and achieving record all-time shipments once again. As a result of our continuous focus on capacity, we were able to realize sales growth of 14% over last year," said Adrian Thomas, CEO of Hammond Power Solutions. "Our bookings were strong in the second quarter, and we achieved our second-highest month of new orders ever in April. New orders reverted to more normal levels in June as standard product sales cooled in the United States ("U.S.") offset somewhat by increased sales activities at new and existing distributors. We are expecting the standard product market to remain stable for the remainder of the year, however we expect to see continued strong activity in custom equipment as project activity remains elevated."

Geography	Quarter 2, 2024	Quarter 2, 2023	\$ Change	% Change	YTD 2024	YTD 2023	\$ Change	% Change
U.S. & Mexico*	\$133,176	\$117,310	\$15,866	13.5%	\$263,908	\$236,114	\$27,794	11.8%
Canada	55,858	45,542	10,316	22.7%	104,154	81,956	22,198	27.1%
India	8,178	9,599	(1,421)	(14.8%)	19,830	25,515	(5,685)	(22.3%)
<b>Total</b>	<b>\$197,212</b>	<b>\$172,451</b>	<b>\$24,761</b>	<b>14.4%</b>	<b>\$387,892</b>	<b>\$343,585</b>	<b>\$44,307</b>	<b>12.9%</b>

The U.S. market experienced its strongest growth in the distributor channel as the Company continued to grow both the number of new distributors, as well as sales within existing distributors. The Original Equipment Manufacturer ("OEM") channel, while higher on a year-to-date basis, decreased in the quarter. However, combined sales between the OEM and private label channels increased in the Quarter, with strong sales to switchgear manufacturers, motor control, mining, and data centres. The Canadian market continued its exceptional growth in the second quarter through the distribution channel in both stock and flow product and large custom projects in commercial construction, electric vehicle ("EV") charging, data centres, public infrastructure, oil & gas, mining, utilities and motor control.

Despite reaching record shipment levels, the Company's backlog increased 1.0% from Quarter 1, 2024.

"We are pleased with the adjusted EBITDA percentage of 16.5% in the quarter. It is the result of continued strong sales, along with effective margin maintenance," said Richard Vollering, Chief Financial Officer of Hammond Power Solutions. "Strength in Canadian and U.S. distribution - made up of both stock and flow and project work - stood out as the main driver of quarterly growth. Offsetting this, we saw year-over-year declines in India, Mesta and LATAM for various reasons, most of which we believe are temporary. Margins remained strong in the quarter for all channels and regions, despite challenges with under-absorbed overhead in our new Mexico factory and a spike in copper costs in March and April. Quotation activity remained strong and price support remained steady during the quarter. Cash converted from operating activities was high in the quarter and as anticipated, our capital growth spending continues to be funded with operating cash flows."

The Company saw an increase in its gross margin rate for Quarter 2, 2024 which was 32.8% compared to Quarter 2, 2023 margin rate of 30.9%, an increase of 190 basis points. The improvement in gross margin is the result of better operating leverage due to high factory throughput, price maintenance, and the price increase implemented in April 2024, offset by higher commodity costs and start-up costs at the new factory in Mexico. Higher gross margins were achieved in most channels and regions.

Total selling and distribution expenses were \$20,591 in Quarter 2, 2024 or 10.4% of sales, versus \$18,950 in Quarter 2, 2023 or 11.0% of sales, an increase of \$1,641 but a decrease as a percentage of sales. Year-to-date selling and distribution expenses were \$41,658 or 10.7% of sales in 2024 compared to \$36,439 or 10.6% of sales in 2023, an increase of \$5,219. The quarter and year-to-date increase in selling and distribution expenses is primarily a result of higher variable freight and

commission expenses attributed to the increase in sales.

General and administrative expenses were \$9,062 or 4.6% of sales for Quarter 2, 2024 compared to Quarter 2, 2023 expenses of \$15,422 or 8.9% of sales, a decrease of \$6,360. Removing the impact of share-based compensation, general and administrative expenses were \$15,089 or 7.7% of sales in Quarter 2, 2024 compared to \$11,442 or 8.9% of sales in Quarter 2, 2023, an increase of \$3,647.

Year-to-date general and administration expenses were \$38,201 or 9.8% of sales in 2024 compared to \$29,757 or 8.7% of sales in 2023, an increase of \$8,444. Removing the impact of share-based compensation, year-to-date general and administrative expenses were \$27,557 or 7.1% in 2024 compared to \$21,299 or 6.2% of sales in 2023, an increase of \$6,258. Key drivers for the change relate to strategic investment in people resources along with engineering, marketing, legal and travel expenses.

Net earnings for Quarter 2, 2024 finished at \$23,590 compared to net earnings of \$13,333 in Quarter 2, 2023, an increase of \$10,257. Year-to-date net earnings were \$31,542 in 2024 compared to \$29,059 in 2023, an increase of \$2,483. The year-to-date increase in earnings is primarily a result of higher sales and gross margin dollars offset by higher general and administrative expenses, selling and distribution expenses, and income tax expense.

EBITDA for Quarter 2, 2024 was \$36,711 versus \$21,444 in Quarter 2, 2023, an increase of \$15,267 or 71.2%. Adjusted for foreign exchange loss/gain and share-based compensation expenses adjusted EBITDA for Quarter 2, 2024 was \$32,587 versus \$25,338 in Quarter 2, 2023, an increase of \$7,249 or 28.6%. Year-to-date EBITDA was \$51,710 in 2024 and \$45,589 in 2023, an increase of \$6,121 or 13.4%. Year-to-date adjusted EBITDA was \$63,559 in 2024 and \$54,459 in 2023, an increase of \$9,100 or 16.7%.

Adjusted EBITDA for Quarter 2, 2024 was \$32,587, or 16.5% of sales, versus Quarter 2, 2023 Adjusted EBITDA of \$25,338, or 14.7% of sales. Year-to-date 2024 Adjusted EBITDA was \$63,557, or 16.4% of sales, versus year-to-date 2023 Adjusted EBITDA of \$54,459, or 15.9% of sales.

Basic earnings per share were \$1.98 for Quarter 2, 2024 versus \$1.12 in Quarter 2, 2023, an increase of \$0.86. Year-to-date the basic earnings per share were \$2.65 in 2024 compared to \$2.44 in 2023, an increase of \$0.21.

The Board of Directors of HPS declared a quarterly cash dividend of twenty-seven and a half cents (\$0.275) per Class A Subordinate Voting Share of HPS and a quarterly cash dividend of twenty-seven and a half cents (\$0.275) per Class B Common Share of HPS paid on June 25, 2024 to shareholders of record at the close of business on June 18, 2024. The ex-dividend date was June 18, 2024. Year-to-date the Company has paid a cash dividend of forty-two and a half cents (\$0.425) per Class A Subordinate Voting Share and of forty-two and a half cents (\$0.425) per Class B Shares.

### THREE MONTHS ENDED:

(dollars in thousands)

	June 29, 2024	July 1, 2023	Change
Sales	\$ 197,212	\$ 172,451	\$ 24,761
Earnings from operations	\$ 35,090	\$ 18,957	\$ 16,133
Exchange (gain) loss	\$ 1,903	\$ (86)	\$ 1,989
Net earnings	\$ 23,590	\$ 13,333	\$ 10,257
Earnings per share			
Basic	\$ 1.98	\$ 1.12	\$ 0.86
Diluted	\$ 1.98	\$ 1.12	\$ 0.86
Cash generated by (used in) operations	\$ 18,656	\$ 12,295	\$ 6,361
EBITDA	\$ 36,711	\$ 21,444	\$ 15,267
Adjusted EBITDA*	\$ 32,587	\$ 25,338	\$ 7,249
Capital Spending	\$ 9,868	\$ 4,309	\$ 5,559

### SIX MONTHS ENDED:

(dollars in thousands)

	June 29, 2024	July 1, 2023	Change
Sales	\$ 387,892	\$ 343,585	\$ 44,307
Earnings from operations	\$ 45,389	\$ 41,580	\$ 3,809
Exchange (gain) loss	\$ 1,205	\$ 412	\$ 793

Net earnings	\$ 31,542	\$ 29,059	\$ 2,483
Earnings per share			
Basic	\$ 2.65	\$ 2.44	\$ 0.21
Diluted	\$ 2.65	\$ 2.44	\$ 0.21
Cash generated by (used in) operations	\$ 24,941	\$ 1,829	\$ 23,112
EBITDA	\$ 51,710	\$ 45,589	\$ 6,121
Adjusted EBITDA*	\$ 63,559	\$ 54,459	\$ 9,100
Capital Spending	\$ 17,355	\$ 6,319	\$ 11,036

\* EBITDA adjusted for foreign exchange gain or loss and share-based compensation

### 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. ("HPS" or the "Company") enables electrification through its broad range of dry-type transformers, power quality products and related magnetics. HPS' standard and custom-designed products are essential and ubiquitous in electrical distribution networks through an extensive range of end-user applications. The Company has manufacturing plants in Canada, the United States (U.S.), Mexico and India and sells its products around the globe. HPS shares are listed on the Toronto Stock Exchange and trade under the symbol HPS.A.

Hammond Power Solutions – passionate people energizing a better world

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