



## Hammond Power Solutions Inc.

(Dollar amounts are in thousands unless otherwise specified)

### HAMMOND POWER REPORTS FOURTH QUARTER AND FULL-YEAR 2021 FINANCIAL RESULTS

#### HIGHLIGHTS

- Sales increased 45% to \$116 million in Q4
- Sales for 2021 increased 18% to \$380 million versus \$322 million in 2020
- Net Earnings increased 5.2% in the quarter and 7.9% for the year
- Earnings per share increased to \$0.36 in the quarter and to \$1.29 year-to-date
- Order backlog increased 59% over prior year

GUELPH, Ontario, March 4, 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 fourth quarter and full year of 2021.

"In 2021 we continued to see strong demand for our dry-type transformers in all key markets through 2021. Our organic growth throughout 2021, but particularly in the fourth quarter, was driven primarily through our North American distributor network, which grew 27% during the year," said Bill Hammond Chairman and CEO of Hammond. "Looking forward to 2022, we are seeing diversified industry demand from nearly every sector of the economy, but specifically from health care, construction, data centers, distribution centres, electronic vehicle charging, energy infrastructure, and natural resource development activity."

Sales for the fourth quarter were up 45% versus the same quarter in 2021, which is the result of strong demand in the third and fourth quarters and the effect of price increases that took effect during the year. 2021 full-year sales were up by 18% at \$380,202, compared to sales of \$322,097 in 2020. U.S. market sales (stated in Canadian dollars) were \$231,738, an increase of \$33,414, or 16.8%, compared to 2020 sales of \$198,324. U.S. sales, (stated in U.S. dollars), have increased from \$147,561 in 2020 to \$184,900 in 2021, an increase of \$37,339 or 25.3%. Sales were negatively impacted as the U.S. dollar weakened by 6.7% in 2021 versus 2020. Canadian sales were \$130,184, an increase of \$21,104 or 19.3% as compared to sales of \$109,080 in 2020. Indian sales in 2021 were \$18,280, an increase of \$3,587 or 24.4% compared to sales of \$14,693 in 2020.

The 2021 backlog has increased by 59% as compared to December 31, 2020 and has increased 26% from Quarter 3, 2021. The increase in backlog is the result of both strong demand towards the end of the year and price increases implemented through the year.

"Strong growth in the fourth quarter was the result of both strong demand in the back half of the year and traction on the four price increases implemented throughout the year" said Richard Vollerling, CFO of Hammond Power. "Rising material costs and supply chain constraints intensified in the third and fourth quarters, but our proactive and judicious approach to price increases have allowed us to maintain our margins in the quarter. It is expected that these supply chain constraints will continue at least into the second quarter, and we will continue to monitor our margins while we work to maintain our customer service levels."

The consolidated gross margin rate in 2021 declined slightly to 26.9% versus 27.0% in 2020, a decrease of 0.1% of sales. The small decline in margin rates is significant given the volatile commodity pricing and supply chain challenges experienced during 2021, and the inclusion of higher CEWS benefits in 2020 by \$3,075. The ability to maintain this margin rate is attributed to favourable sales mix, higher fixed cost absorption, cost reductions and price increases that were largely sufficient to offset higher costs.

Selling and distribution expenses were \$46,459 for 2021 versus \$40,217 in 2020, an increase of \$6,242 or 15.5%. On a percentage sales basis, total selling and distribution expense decreased to 12.2% of sales for 2021 from 12.5% in 2020. The CEWS benefit in 2021 was lower than 2020 by \$414. The remaining increase relates to strategic investments in people resources as well as increased incentive plan payments related to higher sales.

General and administrative expenses in 2021 were \$32,821 compared to \$24,736 for 2020, an increase of \$8,085 or 32.7%. The increase is due to our strategic investments in people, resources and incentive plans, lower CEWS funding in 2021 by \$1,310, Mesta general and administrative expenses, higher information technology expenses to support growth, and outside consulting and service costs. There was also some overlap of personnel costs for some retiring employees.

Earnings from operations finished at \$23,151 in 2021, as compared to earnings of \$22,041 in 2020 – an increase of \$1,110 or 5.0%. The increase in earnings from operations is due to higher sales and additional gross margin dollars, offset by lower wage subsidies, and higher selling, distribution, general and administrative expenses.

Interest expense for the year-ended December 31, 2021 finished at \$1,301 as compared to \$1,247 in 2020. There was a foreign exchange loss in 2021 of \$561 versus a gain of \$123 in 2020.

2021 earnings before income taxes were \$21,250 as compared to earnings of \$20,966 in 2020, an increase of \$284 or 1.4%. In addition to the higher interest expense and foreign exchange loss, income from the joint venture was lower in 2021 at \$61 versus \$153 in 2020.

EBITDA for the year-ended December 31, 2021 was \$30,114 versus \$29,482 in 2020 – an increase of \$632 or 2.1%. Basic earnings per share for the year were \$1.29 versus \$1.20 in 2021.

Cash provided from operating activities during 2021 was \$20,447 versus \$19,683 in 2020, an increase in cash generated of \$764 or 3.9%. Cash used in investing activities was \$10,914 versus \$4,747 in 2020, the increase was mainly due to the acquisition of Mesta. Overall net operating cash balance at the end of 2021 was \$1,638 versus net operating debt balance of \$1,278 in 2020.

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 December 17, 2021. The Company has paid a year-to-date cash dividend of thirty-four cents (\$0.34) per Class A Subordinate Voting Share and thirty-four (\$0.34) per Class B Common Share.

**THREE MONTHS ENDED:**

(dollars in thousands)

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>Change</b>
Sales	\$ 116,278	\$ 80,169	\$ 36,109
Earnings from operations	\$ 6,220	\$ 7,047	\$ (827)
Exchange loss	\$ 129	\$ 401	\$ (272)
Share of income of investment in joint venture	\$ 14	\$ 120	\$ (106)
Net earnings	\$ 4,241	\$ 4,032	\$ 209
Earnings per share			
Basic	\$ 0.36	\$ 0.34	\$ 0.02
Diluted	\$ 0.36	\$ 0.34	\$ 0.02
Cash generated by operations	\$ 19,900	\$ 8,073	\$ 11,827

**TWELVE MONTHS ENDED:**

(dollars in thousands)

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>Change</b>
Sales	\$ 380,202	\$ 322,097	\$ 58,105
Earnings from operations	\$ 23,151	\$ 22,041	\$ 1,110
Exchange loss (gain)	\$ 561	\$ (123)	\$ 684
Share of income of investment in joint venture	\$ 61	\$ 153	\$ (92)
Net earnings	\$ 15,176	\$ 14,062	\$ 1,114
Earnings per share			
Basic	\$ 1.29	\$ 1.20	\$ 0.09
Diluted	\$ 1.28	\$ 1.20	\$ 0.08
Cash generated by operations	\$ 20,447	\$ 19,683	\$ 764

## **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