



## **Hammond Power Solutions Inc.**

### **QUARTER 1, 2021 FINANCIAL RESULTS**

(Dollar amounts are in thousands unless otherwise specified)

#### **Net Earnings Growth for the Quarter**

##### **FIRST QUARTER – HIGHLIGHTS**

- Earnings increased 7% to \$2.30 million from \$2.15 million in 2020
- Margin rates increased to 24.7% from 23.6% in 2020
- Earnings per share increased to \$0.19 from \$0.18 in 2020
- Net operating debt decreased 36% to \$11.80 million or 0.01 net debt to equity

Guelph, Ontario, April 22, 2021 – Hammond Power Solutions Inc. ("HPS") (TSX: HPS.A) a leading manufacturer of dry-type, cast resin, liquid-filled transformers and related magnetics, today announced its financial results for the First Quarter of 2021.

##### **FIRST QUARTER RESULTS**

"In a year dominated by challenges and uncertainty presented by the COVID-19 pandemic, our primary focus shifted to the health and well-being of our employees and customers. Beyond our priority on people in 2020, we were able to fortify the underlying business by growing our North American market share, increasing our gross margins, and gaining sales from new products," said Bill Hammond, Chairman and CEO of Hammond Power Solutions. "Our distributor network has doubled in the last 5 years and provides a diverse pipeline of customers and products including power quality, electric vehicle charging and renewable power generation, extraction for natural resources, and essential power for servers powering the world's largest technology companies."

"The first quarter highlighted the strength of our distributor network and its ability to provide a diversified revenue base and now contributes more than 60% of Hammond's revenue. This added sector diversification was the primary driver of our gross margin and bookings increase for the quarter compared to 2020," said Chris Huether, CFO of Hammond. "Looking forward, we have implemented price increases in the quarter to reflect the commodity price increases we are seeing in our raw materials. We expect to see these increases work their way through our back log in the second half of 2021."

Sales for the quarter-ended March 27, 2021 were \$80,121, a decrease of \$8,299 or 9.4% from Quarter 1, 2020 sales of \$88,420. This would be the fourth quarter the business was impacted by the COVID 19 pandemic. It is important to note that the pandemic had minimal impact on the business in the same quarter last year as the Pandemic was in its infancy stage. Sales in the United States ("U.S.") decreased by \$9,836 or 17.5%, finishing at \$46,505 for Quarter 1, 2021 compared to \$56,341 in Quarter 1, 2020. Canadian sales remained stable at \$27,801 for the quarter, a slight increase of \$457 or 1.7% from Quarter 1, 2020 sales of \$27,344. Indian sales for Quarter 1, 2021 finished at \$5,815 versus \$4,735 in Quarter 1, 2020, an increase of \$1,080 or 22.8%.

Bookings increased 7.51% from Quarter 1, 2020 due to a lift in direct bookings in both the American and Canadian markets. By channel, direct bookings increased by 20.4% and while the distributor channel was flat as compared to the same quarter last year.

The Company saw an increase in its gross margin rate for Quarter 1, 2021 which was 24.7% compared to Quarter 1, 2020 margin rate of 23.6%, an improvement of 1.1% of sales. This margin improvement is attributed to sales mix, market specific pricing and expense management.

Total selling and distribution expenses from continuing operations were \$9,807 in Quarter 1, 2021 or 12.2% of sales versus \$11,140 in Quarter 1, 2020 or 12.6% of sales, a decrease of \$1,333 or 12.0%.

General and administrative expenses from continuing operations were \$6,619 or 8.3% of sales for Quarter 1, 2021 compared to Quarter 1, 2020 expenses of \$6,701 or 7.6% of sales, a decrease of \$82 or 1.2%.

Quarter 1, 2021 earnings from operations were \$3,402 compared to \$3,033 for the same quarter last year, an increase of \$369 or 12.2%. The increase in the quarter earnings from operations is primarily a result of decreased selling, distribution, general, administrative expenses and government wage subsidy support offsetting the lower gross margin dollars.

Interest expense for Quarter 1, 2021 was \$105, a decrease of \$291 or 73.5% compared to the Quarter 1, 2020 expense of \$396. The foreign exchange loss in Quarter 1, 2021 was \$116 compared to a gain of \$376 in Quarter 1, 2020, a change of \$492.

Net earnings for Quarter 1, 2021 finished at \$2,298 compared to net earnings of \$2,148 in Quarter 1, 2020, an increase of \$150 or 7.0%. The increase in the quarter earnings is a result of lower selling, distribution, general, administration, interest expenses and government wage subsidy support offsetting the decline in gross margin dollars.

Basic earnings per share were \$0.19 for Quarter 1, 2021 versus \$0.18 in Quarter 1, 2020.

Net cash used in operating activities for Quarter 1, 2021 was \$6,854 versus \$6,038 in Quarter 1, 2020, an increase in cash usage of \$816. This change is a result of an increase in the unrealized loss on derivatives and a decrease in interest expense offset by a decline in cash utilized for working capital and decreased income tax payments. In Quarter 1, 2021, non-cash working capital used cash of \$8,666 compared to cash used of \$9,847 for the same quarter last year, a decrease of \$1,181.

The Company's overall operating debt balance net of cash has decreased \$6,602 in the current year from \$18,356 in Quarter 1, 2020 to \$11,754 in Quarter 1, 2021.

The Company continued with its regular quarterly dividend program in the first 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 25, 2021.

**FINANCIAL RESULTS**  
**THREE MONTHS ENDED:**  
(dollars in thousands)

	<b>March 27, 2021</b>	<b>March 28, 2020</b>	<b>Change</b>
Sales	\$ 80,121	\$ 88,420	\$ (8,299)
Earnings from Continuing Operations	\$ 3,402	\$ 3,033	\$ 369
Exchange Loss (Gain)	\$ 116	\$ (376)	\$ 492
Share of income of investment in joint venture	\$ 38	\$ 151	\$ 113
Net Earnings	\$ 2,298	\$ 2,148	\$ 150
Earnings per Share			
Basic	\$ 0.19	\$ 0.18	\$ 0.01
Diluted	\$ 0.19	\$ 0.18	\$ 0.01
Cash used in operations	\$ 6,854	\$ 6,038	\$ 816

**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 North American 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, India and Italy.

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