



Hammond Power Solutions Inc. Announces Quarter 1, 2019 Financial Results

(Dollar amounts are in thousands unless otherwise specified)

Strong Quarter - Increased Sales, Backlog, Earnings and Dividend

- **20% sales growth**
- **20% backlog rise**
- **33% lift in earnings**
- **17% dividend increase**
- **EPS from continuing operations of \$0.21**

Guelph, Ontario, April 25, 2019 – 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 of 2019.

FIRST QUARTER RESULTS

Sales from continuing operations for the quarter-ended March 30, 2019 were \$84,690, a momentous increase of \$14,293 or 20.3% from Quarter 1, 2018 sales from continuing operations of \$70,397. U.S. sales increased by \$9,482 or 21.2%, finishing at \$54,194 for Quarter 1, 2019 compared to \$44,712 in Quarter 1, 2018. U.S. sales, when stated in U.S. dollars were \$40,747 in Quarter 1, 2019 compared to Quarter 1, 2018 of \$35,485, an increase of \$5,262 or 15.2%. Canadian sales increased to \$26,241 for the quarter, an increase of \$5,521 or 26.6% from Quarter 1, 2018 sales of \$20,720. Indian sales for Quarter 1, 2019 finished at \$4,255 versus \$4,965 in Quarter 1, 2018, a slight decrease of \$710 or 14.3%.

Bookings increased 12.7% over Quarter 1, 2018 due to an increase in bookings in the North American distribution channel and increased bookings in the Indian market. Backlog increased 19.6% over Quarter 1, 2018 and 4.8% over Quarter 4, 2018. The quarter change was primarily due to a significant increase in distribution bookings in the North American market.

"Bookings continue to hover at historically high levels and quotation activity has accelerated. We continue to deliver double digit growth rates in both countries and despite a competitive marketplace, margins are strengthening." Bill Hammond commented,

The gross margin rate for Quarter 1, 2019 was 23.9% compared to Quarter 1, 2018 margin rate of 24.0%, a slight decrease of 0.1% of sales. This margin consistency was achieved through implemented market specific price increases in the quarter which offset the impact of a fluctuating Canadian dollar, product mix and escalating raw material commodity costs.

Selling and distribution expenses from continuing operations were \$9,998 in Quarter 1, 2019 or 11.8% of sales versus \$8,339 in Quarter 1, 2018 or 11.8% of sales, an increase of \$1,659.

General and administrative expenses from continuing operations of \$5,777 or 6.8% of sales for

Quarter 1, 2019 were flat compared to Quarter 1, 2018 expenses of \$5,779 or 8.2% of sales.

Quarter 1, 2019 earnings from continuing operations were \$4,479 compared to \$2,752 for the same quarter last year, an increase of \$1,727 or 62.8%. The increase in the quarter earnings from operations is primarily a result of the increase in sales.

Interest expense for Quarter 1, 2019 was \$232, an increase of \$146 or 169.8% compared to the Quarter 1, 2018 expense of \$86. The accounting standard adoption of IFRS 16 for leases which allocates part of lease costs to interest expense accounted for \$78 of the change in Quarter 1, 2019.

The foreign exchange loss in Quarter 1, 2019 was \$25 compared to a gain of \$162 in Quarter 1, 2018, a decrease of \$187. This gain relates primarily to the transactional exchange pertaining to the Company's U.S. dollar trade accounts payable in Canada.

Net earnings from continuing operations for Quarter 1, 2019 finished at \$2,508 compared to net earnings of \$1,884 in Quarter 1, 2018, an increase of \$624 or 33.1%. The increase in the quarter earnings is a result of increased sales.

Basic earnings per share from continuing operations were \$0.21 for Quarter 1, 2019 versus \$0.16 in Quarter 1, 2018. Basic earnings per share was \$0.20 for Quarter 1, 2019 versus \$0.08 in Quarter 1, 2018.

Net cash generated by operating activities for Quarter 1, 2019 was \$2,316 versus cash used of \$1,907 in Quarter 1, 2018, an increase of \$4,223. This increase is a result of a decrease in cash utilized for working capital, increased net earnings and changes in the unrealized gain/loss on derivatives.

In Quarter 1, 2019, non-cash working capital used cash of \$4,114 compared to cash used of \$4,952 for the same quarter last year, a decrease of \$838.

The Company's overall operating debt balance net of cash has decreased \$468 in the current year from \$17,056 in Quarter 1, 2018 to \$16,588 in Quarter 1, 2019.

The Board of Directors of HPS declared a 16.7% increase in the quarterly cash dividend to seven cents (\$0.07) per Class A Subordinate Voting Share of HPS and a quarterly cash dividend of seven cents (\$0.07) per Class B Common Share.

Mr. Hammond concluded, "We are cautiously optimistic about our impressive growth rate in North America continuing for the remainder of the year, which will drive our overall results. We continue to work through the closure of our Italian manufacturing location. As difficult as these actions are, closing this operation significantly improves our profitability as well as strengthens our financial position. Our focus remains on delivering improved financial performance which will ultimately enhance shareholder value in our company."

THREE MONTHS ENDED:

(dollars in thousands)

	March 30, 2019	March 31, 2018	Change
Sales	\$ 84,690	\$ 70,397	\$ 14,293
Earnings from operations	\$ 4,479	\$ 2,752	\$ 1,727
Exchange loss (gain)	\$ 25	\$ (162)	\$ (187)
Share of loss of investment in joint venture	\$ 281	\$ 279	\$ 2
Net earnings from continuing operations	\$ 2,508	\$ 1,884	\$ 624
Loss from discontinued operations	\$ (193)	\$ (989)	\$ 796
Net earnings	\$ 2,315	\$ 895	\$ 1,420
Earnings per share			
Basic	\$ 0.20	\$ 0.08	\$ 0.12
Diluted	\$ 0.20	\$ 0.08	\$ 0.12
Basic from continuing operations	\$ 0.21	\$ 0.16	\$ 0.05
Diluted for continuing operations	\$ 0.21	\$ 0.16	\$ 0.05
Cash generated by (used in) operations	\$ 2,316	\$ (1,907)	\$ 4,223

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:

Dawn Henderson
Manager Investor Relations
(519) 822-2441 x414
ir@hammondpowersolutions.com