

HÉROUX-DEVTEK REPORTS STRONG FOURTH QUARTER AND FISCAL 2019 RESULTS

Financial Highlights

- Q4 Sales increased by 39.7 % to \$157.9 million
- Q4 Operating income grew to \$15.2 million, up from \$6.7 million
- Q4 Adjusted EBITDA¹ reached \$25.9 million, up from \$19.4 million
- Fiscal 2019 sales reached \$483.9 million, an increase of 25.2% over last year
- Fiscal 2019 cash flow from operating activities at \$70.0 million compared with \$56.1 million year-over year.

Operational and Commercial Highlights

- New contract with Boeing to supply the complete landing gear system for the MQ-25 program
- Delivered a record 15 landing gears to Boeing for the 777 and 777X programs
- Funded backlog at \$624 million, up from \$466 million as at March 31, 2018
- Expanded agreement with Boeing to include the Advanced F-15 program
- Incoming President and Chief Executive Officer Martin Brassard has been nominated to the Board of Directors, effective June 1, 2019

Longueuil, Québec, May 23, 2019 - Héroux-Devtek Inc. (TSX: HRX) (“Héroux-Devtek” or the “Corporation”), a leading international manufacturer of aerospace products, today reported strong results for the fourth quarter and fiscal year ended March 31, 2019. Unless otherwise indicated, all amounts are in Canadian dollars.

“Our fourth quarter and full-year results reached record levels on all fronts. The strong performance of our acquired businesses and the ramp-up of deliveries for the Boeing 777 and 777X programs led us to exceed our revenue guidance. Operating profitability also improved significantly due to our recent acquisitions and the internalization of our surface treatment activities, while cash flows reached record levels, allowing us to quickly focus on deleveraging,” said Gilles Labbé, President and CEO of Héroux-Devtek.

“We are entering fiscal 2020 with a strong backlog of firm orders. Our recent acquisitions of Beaver and CESA are providing additional exposure to the defence market and optimally diversifying our revenues within the growing and resilient global aerospace market. Our expanding customer relationships in Europe and in North America, and our growing landing gear and complementary product offerings position us well for growth. This solid base on which we are building for the future allows us to project sales of \$560 million to \$580 million in fiscal 2020 and reiterate our longer-term revenue growth target of sales between \$620 million to \$650 million in fiscal 2022,” added Mr. Labbé.

¹ This is a non-IFRS measure. Please refer to the “Non-IFRS Measures” section at the end of this press release.

FINANCIAL HIGHLIGHTS (in thousands of dollars, except per share data)	Quarters ended March 31,		Fiscal years ended March 31,	
	2019	2018	2019	2018
Sales	157,914	113,024	483,877	386,564
Operating income	15,190	6,697	37,240	23,378
Adjusted operating income ¹	16,208	12,089	41,563	30,325
Adjusted EBITDA ¹	25,910	19,369	74,213	56,904
Net income	11,958	5,858	26,194	13,674
Per share – diluted (\$)	0.34	0.16	0.73	0.38
Adjusted net income ¹	12,794	10,439	30,352	24,213
Per share (\$)	0.36	0.29	0.84	0.67

¹ This is a non-IFRS measure. Please refer to the “Non-IFRS Measures” section at the end of this press release.

FOURTH QUARTER RESULTS

Consolidated sales grew 39.7% to \$157.9 million, up from \$113.0 million last year, driven by internal operations and our CESA and Beaver acquisitions, which contributed \$43.5 million. Sales growth was achieved both in the commercial and defence market, which now represent 49.4% and 50.6% of our consolidated revenues respectively. Sales were impacted by a net positive effect of \$3.4 million resulting from year-over-year fluctuations in the value of the Canadian currency versus foreign currencies.

Commercial sales grew 35.6% to \$78.0 million, up from \$57.5 million last year. The strong increase was driven by CESA and Beaver. Excluding the impact of foreign exchange, Héroux-Devtek legacy commercial sales were relatively in-line with last year’s fourth quarter.

Defence sales grew 43.9% to \$79.9 million, up from \$55.5 million. The strong increase was driven by CESA and Beaver, while Héroux-Devtek legacy sales decreased \$1.5 million resulting from the net effect of the end of the USAF Repair & Overhaul contract, which was partly offset by the ramp-up of the corresponding contract with AAR, and from lower manufacturing sales for the CH-47 contract.

Gross profit increased to \$29.7 million, or 18.8% of sales, up from \$19.0 million, or 16.8% of sales last year. The increase is attributable to the impact of the Beaver and CESA acquisitions and from higher throughput leading to improved absorption of manufacturing costs.

Operating income increased to \$15.2 million, or 9.6% of sales, up from \$6.7 million, or 5.9% of sales last year. This quarter’s operating income included \$1.0 million of non-recurring items resulting from acquisition-related costs, down from \$5.4 million of non-recurring items in the equivalent quarter of last year, resulting from restructuring charges related to workforce adjustments and acquisition-related costs. Adjusted EBITDA⁽¹⁾, which excludes these non-recurring items, stood at \$25.9 million, or 16.4% of sales, compared with \$19.4 million, or 17.1% of sales, one year ago.

Net income for the fourth quarter of fiscal 2019 stood at \$12.0 million, or \$0.34 per diluted share, up from \$5.9 million, or \$0.16 per diluted share, last year. Excluding non-recurring items net of taxes, adjusted net income reached \$12.8 million, or \$0.36 per share, up from \$10.4 million, or \$0.29 per share last year.

As at March 31, 2019, Héroux-Devtek’s funded (firm orders) backlog stood at \$624.0 million, an increase of 33.9% from \$466 million as at March 31, 2018 on the strength of contributions from CESA and Beaver totaling \$113.8 million and organic growth of \$44.2 million.

YEAR-END RESULTS

For fiscal 2019, consolidated sales reached \$483.9 million, up 25.2% from \$386.6 million in fiscal 2018. Commercial sales were at \$236.3 million, up from \$195.1 million a year ago, while defence sales stood at \$247.6 million, up from \$191.5 million last year. Sales growth was mainly driven by CESA and Beaver, followed by increased deliveries for the Boeing 777 and 777X programs, higher sales in the business jet market from the ramp-up of deliveries for the Embraer 450/500 program and higher sales of spares to the U.S. Government. Year-over-year fluctuations in the value of the Canadian currency versus foreign currencies had a positive net impact on sales of \$4.3 million.

Gross profit for fiscal 2019 increased to \$83.2 million, or 17.2% of sales, from \$61.3 million, or 15.9% of sales last year. The increase is attributable to the impact of the Beaver and CESA acquisitions and from higher throughput leading to improved absorption of manufacturing costs. Foreign exchange did not significantly impact gross profit. Operating income was \$37.2 million, or 7.7% of sales, from \$23.4 million, or 6.0% of sales a year ago. Adjusted operating income grew to \$41.6 million, or 8.6% of sales, up from \$30.3 million last year, or 7.8% of sales. Adjusted EBITDA reached \$74.2 million, or 15.3% of sales, up from \$56.9 million, or 14.7% of sales last year.

Net income stood at \$26.2 million, or \$0.73 per diluted share, an increase from \$13.7 million, or \$0.38 per diluted share in fiscal 2018. Adjusted net income stood at \$30.4 million, or \$0.84 per share, an increase from \$24.2 million, or \$0.67 per share last year.

SOLID CASH FLOWS AND HEALTHY FINANCIAL POSITION

Cash flows related to operating activities amounted to \$37.2 million in the fourth quarter of fiscal 2019, up from \$18.5 million in the fourth quarter of fiscal 2018. This variation mainly reflects the favourable contribution of CESA and Beaver results and positive net change in non-cash working capital items mainly from an increase in accounts payable. Fourth quarter free cash flow grew to \$31.7 million, up from \$20.0 million last year. For fiscal 2019, cash flows related to operating activities grew significantly to \$70.0 million, up from \$56.1 million last year, with a record free cash flow amounting to \$58.1 million, up from \$50.8 million last year, primarily from the contribution of the results of CESA and Beaver.

As at March 31, 2019, net debt stood at \$228.1 million, down from \$257.3 million at the end of the third quarter reflecting strong free cash flow generation during the fourth quarter. The increase as compared to net debt of \$38.8 million as at March 31, 2018 mainly reflects the acquisitions of CESA and Beaver during the fiscal year.

ACQUISITION OF TEKALIA

On January 23, 2019, the Corporation completed the acquisition of 60% of the shares of Tekalia Aeronautik (2010) Inc. ("Tekalia"), a supplier of surface treatment services to the aerospace sector, for a purchase price of \$3.5 million. The acquisition of Tekalia will allow the Corporation to further secure surface treatment capacity to support its North American customers' growth.

SUBSEQUENT EVENTS

On April 8, 2019, subsequent to the end of the fiscal year, Héroux-Devtek announced that it has been awarded a contract by The Boeing Company to supply the complete landing gear system for the MQ-25 unmanned aerial refueling program. The MQ-25 is the U.S. Navy's first operational carrier-based unmanned aircraft and is designed to provide a much-needed refueling capability. The contract supports Boeing's engineering and manufacturing development program to provide four MQ-25 aircraft to the U.S. Navy for Initial Operational Capability by 2024.

On May 21, 2019, subsequent to the end of the fiscal year, Héroux-Devtek also announced that it has extended the scope of its agreement initially announced on July 17, 2018, to supply the main landing gears for The Boeing Company's F/A-18 E/F Super Hornet and EA-18G Growler to include the manufacturing of the nose and main

landing gears for Boeing's Advanced F-15 program. The extended scope now covers the supply of spare parts and aftermarket services for both defence aircraft programs over a period of performance of five years.

GUIDANCE

Management expects sales to reach between \$560 million and \$580 million in fiscal 2020, reflecting the contribution of the acquired businesses as well as increased deliveries related to the Boeing 777 and 777X programs. For fiscal 2022, management reiterated its sales guidance of \$620 million to \$650 million.

Please see "Forward-Looking Statements" below and the Guidance section in the Corporation's MD&A for the quarter ended March 31, 2019, for further details regarding the material assumptions underlying the foregoing guidance.

CONFERENCE CALL

Héroux-Devtek Inc. will hold a conference call to discuss these results on Thursday, May 23, 2019 at 8:30 AM Eastern Time. Interested parties can join the call by dialling 1-888-231-8191 (North America) or 1-647-427-7450 (overseas). The conference call can also be accessed via live webcast at Héroux-Devtek's website, www.herouxdevtek.com/investor-relations/events.

An accompanying presentation will also be available on Héroux-Devtek's website, www.herouxdevtek.com/investor-relations/events.

If you are unable to call in at this time, you may access a tape recording of the meeting by calling 1-855-859-2056 and entering the passcode 7496207 on your phone. This tape recording will be available on Thursday, May 23, 2019 as of 11:30 AM Eastern Time until 11:59 PM Eastern Time on Thursday, May 30, 2019.

FORWARD-LOOKING STATEMENTS

Except for historical information provided herein, this press release contains information and statements of a forward-looking nature concerning the future performance of the Corporation. Forward-looking statements are based on assumptions and uncertainties as well as on management's best possible evaluation of future events. Such factors may include, without excluding other considerations, fluctuations in quarterly results, evolution in customer demand for the Corporation's products and services, the impact of price pressures exerted by competitors, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results. Please see the Guidance section in the Corporation's MD&A for the fiscal year ended March 31, 2019, for further details regarding the material assumptions underlying the forecasts and guidance. Such forecasts and guidance are provided for the purpose of assisting the reader in understanding the Corporation's financial performance and prospects and to present management's assessment of future plans and operations, and the reader is cautioned that such statements may not be appropriate for other purposes.

NON-IFRS MEASURES

Earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA, adjusted net income, adjusted earnings per share and free cash flow are financial measures not prescribed by International Financial Reporting Standards ("IFRS") and are not likely to be comparable to similar measures presented by other issuers. Management considers these to be useful information to assist investors in evaluating the Corporation's profitability, liquidity and ability to generate funds to finance its operations. Refer to Non-IFRS financial measures under Operating Results in the Corporation's MD&A for definitions of these measures and reconciliations to the most comparable IFRS measures.

PROFILE

Héroux-Devtek Inc. (TSX: HRX) is an international company specializing in the design, development, manufacture, repair and overhaul of aircraft landing gear, hydraulic and electromechanical flight control actuators, custom ball screws and fracture-critical components for the Aerospace market. The Corporation is the third largest landing gear company worldwide, supplying both the commercial and defence sectors. Approximately 90% of the Corporation's sales are outside of Canada, including about 50% in the United States. The Corporation's head office is located in Longueuil, Québec with facilities in the Greater Montreal area (Longueuil, Laval, Montreal and St-Hubert); Kitchener, Cambridge and Toronto, Ontario; Springfield and Strongsville, Ohio; Wichita, Kansas; Everett, Washington; Livonia, Michigan; Runcorn, Nottingham and Bolton, United Kingdom; and Madrid and Seville, Spain.

Contact Information:

Héroux-Devtek Inc.

Stéphane Arsenault
Vice President and Chief Financial Officer
Tel.: (450) 679-3330

Investor Relations

Danielle Ste-Marie
Ste-Marie Strategy & Communications Inc.
Mobile : (514) 465-6701
IR@heroux-devtek.com