



Hammond Power Solutions Reports Fourth Quarter 2024 Financial Results

(Dollar amounts are in thousands, in Canadian currency unless otherwise specified)

GUELPH, Ontario, March 20, 2025 -- 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 fourth quarter 2024.

HIGHLIGHTS

- **Record sales of \$208 million in the quarter, an increase of 11.5% versus 2023. Year-to-date sales were \$788 million, an increase of 11% versus 2023.**
- **Adjusted EBITDA of \$32,548 in the quarter, or 15.6% of sales.**
- **Year-to-date Adjusted EBITDA is \$130,484, or 16.6% of sales.**
- **Gross margin of 32.7% for the quarter, 32.8% year-to-date.**
- **Net earnings of \$23.7 million and earnings per share of \$1.99 for quarter 4, 2024.**
- **Net earnings of \$71.5 million and earnings per share of \$6.01 year-to-date 2024.**

"We are very pleased that we completed the year with record sales of \$208 million. Strong shipments in the quarter were seen in Canada, India, and the United States. Significant Mesta projects also shipped in the quarter, and we reported nearly a full quarter of Micron sales, on track with our expectations" said Adrian Thomas, CEO of Hammond Power Solutions. "As with the previous quarter, there was a notable shift in product mix towards custom and configured products. On a year-to-date basis, sales were up 11%, and backlog remained steady from Q3 to Q4 as we shortened our lead times on custom power products while at the same time shipping more products overall in the quarter. Gross margins remained strong in the quarter and for the year. The high volume drove a record earnings per share of \$1.99 for the quarter and \$6.01 for the year. 2024 closed as another record year for HPS in terms of profitability, but just as importantly, we were successful at continuing to build a stronger company to continue growth into the future."

Geography	Q4 2024	Q4 2023	\$ Change	% Change	2024	2023	\$ Change	% Change
U.S. & Mexico	\$ 140,894	\$ 123,703	17,191	13.9%	\$ 534,888	\$ 489,579	45,309	9.3%
Canada	58,324	51,694	6,630	12.8%	215,394	175,619	39,775	22.6%
India	9,258	11,561	(2,303)	-19.9%	38,058	44,866	(6,808)	-15.2%
Total	\$ 208,476	\$ 186,958	21,518	11.5%	788,340	710,064	78,276	11.0%

The U.S. market experienced its strongest growth in the distributor channel with growth primarily driven by increasing sales in custom and configured products. General economic conditions in the U.S. deteriorated mid-year with slower industrial and commercial construction markets. The lower sales primarily affected standard stock and flow product, while shipments of custom product remained resilient. The Original Equipment Manufacturer ("OEM") and private label channels grew moderately year-over-year, led by stronger sales to private label, capital equipment, mining and data centres.

The Canadian market was very strong in the year. It continued to achieve year-over-year growth through distribution channels in both stock and flow product and large projects in commercial construction, data centres, public infrastructure, mining and utilities.

The Company's December 31, 2024 backlog decreased by 0.3% as compared to December 31, 2023 and has decreased 0.1% from Quarter 3, 2024. During the second half of the year, commercial construction and industrial markets began to moderate in their growth profile, while our capacity additions allowed us to ship more backlog than previous quarters.

"By most metrics, the fourth quarter was positive." said Richard Vollering, CFO of Hammond Power Solutions. "Favourable sales and margins resulted in record profitability. Offsetting this, there were some late-year charges relating to the Micron acquisition and other investment initiatives that increased general and administrative expenses late in the quarter. Many of these expenses were project specific and we expect that SG&A will moderate to previous levels going forward. Working capital increased significantly, primarily due to a continued build-out of inventory to support our new warehousing initiatives. These levels will remain elevated until the transition is completed in 2025. Capital expenditures were \$41 million for the year, related to our capacity expansion projects. The remainder of our program should be completed by the end of 2025, and will bring our total capacity to over \$1.1 billion."

The consolidated gross margin in 2024 increased to 32.8% versus 32.5% in 2023, an increase of 30 basis points. The improvement in gross margin was the result of higher volume that resulted in better operating leverage and a higher margin product mix as a result of relatively more custom and configured product sales. These areas of improvement were offset by slightly higher commodity costs and start-up costs at the new factory in Mexico.

Total selling and distribution expenses were \$83,412 for 2024 versus \$76,283 in 2023, an increase of \$7,129 or 9.3%. On a percentage-of-sales basis, total selling and distribution expenses decreased to 10.6% of sales for 2024 from 10.7% in 2023. The year-over-year increase in selling and distribution expenses is a result of higher variable freight and commission expenses attributed to the increase in sales.

General and administrative expenses in 2024 were \$76,106 compared to \$68,007 for 2023, an increase of \$8,099 or 11.9%. On a percentage-of-sales basis these costs have increased from 9.6% in 2023 to 9.7% in 2024. The increase is mainly due to ongoing strategic investments in people and resources to support our growth strategies as well as supporting higher levels of general business activity, offset by lower share-based compensation expenses.

Net earnings for 2024 finished at \$71,531 compared to net earnings of \$63,399 in 2023, an increase of \$8,132 or 12.8%. The main contributors to the higher current year net earnings were higher sales and additional gross margin dollars. These gains were offset by increases in selling, distribution, general and administration expenses.

EBITDA for the year-ended December 31, 2024 was \$112,873 versus \$95,995 in 2023 – an increase of \$16,878 or 17.6%. Adjusted EBITDA for 2024 was \$130,484 versus \$117,229 in 2023 – an increase of \$13,255 or 11.3 %. Adjusted EBITDA excludes foreign exchange loss/gain and share based compensation expenses.

Basic earnings per share were \$1.99 for Quarter 4, 2024 versus \$1.68 in Quarter 4, 2023, an increase of \$0.31. Year-to-date the basic earnings per share were \$6.01 in 2024 compared to \$5.33 in 2023, an increase of \$0.68.

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 December 20, 2024 to shareholders of record at the close of business on December 13, 2024 – the ex-dividend date was December 13, 2024. the Company has paid a total cash dividend of ninety-seven and a half cents (\$0.975) per Class A Subordinate Voting Share and ninety-seven and half cents (\$0.975) per Class B Common Share.

THREE MONTHS ENDED:

(dollars in thousands)

	December 31, 2024	December 31, 2023	Change
Sales	\$ 208,476	\$ 186,958	\$ 21,518
Earnings from operations	\$ 29,706	\$ 24,661	\$ 5,045
Exchange (gain) loss	\$ (923)	\$ 1,593	\$ 2,516
Net earnings	\$ 23,678	\$ 19,903	\$ 3,775
Earnings per share			
Basic	\$ 1.99	\$ 1.68	\$ 0.31
Diluted	\$ 1.99	\$ 1.68	\$ 0.31
Cash generated by operations	\$ 22,413	\$ 20,120	\$ 2,293
EBITDA	\$ 33,934	\$ 26,749	\$ 7,185
Adjusted EBITDA*	\$ 32,548	\$ 37,082	\$ (4,534)
Capital Spending	\$ 9,747	\$ 4,619	\$ 5,128

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

TWELVE MONTHS ENDED:

(dollars in thousands)

	December 31, 2024	December 31, 2023	Change
Sales	\$ 788,340	\$ 710,064	\$ 78,276

Earnings from operations	\$ 98,760	\$ 86,721	\$ 12,039
Exchange (gain) loss	\$ 519	\$ 1,280	\$ 761
Net earnings	\$ 71,531	\$ 63,399	\$ 8,132
Earnings per share			
Basic	\$ 6.01	\$ 5.33	\$ 0.68
Diluted	\$ 6.01	\$ 5.33	\$ 0.68
Cash generated by (used in) operations	\$ 64,751	\$ 44,108	\$ 20,643
EBITDA	\$ 112,873	\$ 95,995	\$ 16,878
Adjusted EBITDA*	\$ 130,484	\$ 117,229	\$ 13,255
Capital Spending	\$ 40,633	\$ 20,169	\$ 20,464

* 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, Hammond Power Solutions Inc.'s (the "**Corporation**" or "**HPS**") strategies, intentions, plans, beliefs, expectations and estimates, in connection with general economic and business outlook, prospects and trends of the industry, expected demand for products and services, product development and the Corporation's competitive position. Forward-looking statements can generally be identified, but not limited to, 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 the Corporation 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 risks related to foreign currency fluctuations and changing interest rates); risks associated with the Corporation's business environment (such as risks associated with the financial condition of the oil and gas, mining and infrastructure project business); geopolitical risks; climate related risks; changes in laws and regulations; operational risks (such as risks related to existing and developing new products and services; doing business with partners and suppliers; product sales and performance; legal and regulatory proceedings; dependence on certain customers and suppliers; costs associated with raw materials, products and services; human resources; and the ability to execute strategic plans.) The Corporation 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.

This forward-looking information represents our views as of the date of this press release and such information should not be relied upon as representing our views as of any date subsequent to the date of this press release. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimated, expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

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 – Energizing Our World

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