



AirBoss Reports Third Quarter 2023 Results

NEWMARKET, Ontario, Nov. 08, 2023 -- AirBoss of America Corp. (TSX: BOS)(OTCQX:ABSSF) (the "Company" or "AirBoss") today announced its third quarter results. The Company will host a conference call and webcast to discuss the results on November 9th at 9 a.m. ET, the details of which are outlined below. All dollar amounts are shown in thousands of United States dollars ("US \$" or "\$"), except per share amounts, unless otherwise noted.

Recent Highlights

- AirBoss Defense Group ("ADG") received two additional follow-on orders for the manufacture and sale of up to 42,965 pairs of Extreme Cold Vapor Barrier Boots, commonly referred to as "Bunny Boots", under the previously announced contract with the U.S. Department of Defense. The combined value of these orders is expected to be worth up to \$11.8 million, for a total value of \$34 million in contract awards for ADG, for the three-month period ended September 30, 2023 ("Q3 2023");
- Undertook cost savings initiatives including headcount reductions that are expected to generate up to an additional \$7.7 million in EBITDA across the Company on an annualized basis;
- Net Debt to trailing twelve months ("TTM") EBITDA was 2.49x this quarter vs. 3.11x in the previous quarter;
- Cash from operations increased by \$24.6 million to \$8.7 million for Q3 2023 vs. the three-month period ended September 30, 2022 ("Q3 2022"); and
- Declared a quarterly dividend of C\$0.07 per common share, a reduction of C\$0.03 per common share, which represents a return to historical pre-pandemic dividend levels.

"Despite continued market and economic headwinds, our third quarter financial results showed a degree of stability and improvement over our performance in the comparable quarter in 2022, with improved gross profit supported by increased contributions from our Engineered Products group," stated Chris Bitsakakis, President and Co-CEO of AirBoss. "From a market perspective, we saw decreased volume demand from industrial customers as the initial signs of the impacts to OEM production schedules, resulting from the UAW labour strike, became evident."

"Within Q3, we were pleased to have secured additional contract awards for ADG. These included new orders from the U.S. Department of Defense for ADG's "Bunny Boots", a product designed for superior protection in extreme winter conditions, and our previously announced contract awards for ADG's AirBoss Molded Glove and Bandolier line charge system. Our team within ADG will execute these contracts, which have an expected value of over \$34 million, over the next three years."

"Looking at the financial positioning of our company, our businesses and the markets we operate in continue to experience significant change, and we need to remain well-positioned to capture and deliver on opportunities from a stable financial footing," stated Gren Schoch, Chairman and Co-CEO of AirBoss. "To this end, we are pursuing several initiatives to ensure our long-term stability. Solid cash flows generated by our businesses have been focused on fortifying our balance sheet, and our net debt levels have been reduced by over \$18.8 million to date in 2023. As well, expanded cost reduction initiatives within our business units are now expected to generate up to \$7.7 million in cost savings annually. To further improve our financial flexibility, the Company is returning the dividend to levels which were in place for many years prior to the dividend increase in 2021. In aggregate, we believe these measures better position AirBoss for sustainable, long-term growth."

	Three-months ended September 30		Nine-months ended September 30	
<i>In thousands of US dollars, except share data (unaudited)</i>	2023	2022	2023	2022
Financial results:				
Net sales	102,195	104,682	333,329	359,702
Profit (loss)	(4,633)	(55,957)	(5,791)	(43,889)
Adjusted Profit ¹	(2,592)	(11,843)	(3,634)	234
Earnings per share (US\$)				
– Basic	(0.17)	(2.07)	(0.21)	(1.62)
– Diluted	(0.17)	(2.07)	(0.21)	(1.62)
Adjusted earnings per share ¹ (US\$)				
– Basic	(0.10)	(0.44)	(0.13)	0.01
– Diluted	(0.10)	(0.44)	(0.13)	0.01
EBITDA ¹	4,490	(56,394)	19,825	(26,239)
Adjusted EBITDA ¹	7,248	1,271	22,735	31,438
Net cash provided by (used in) operating activities	8,727	(15,847)	31,626	(38,655)

Free cash flow ¹	6,633	(18,525)	26,354	(45,625)
Dividends declared per share (CAD\$)	0.10	0.10	0.30	0.30
Capital additions	2,214	2,687	5,729	6,983
Financial position:	September			December
	30, 2023			31, 2023
Total assets	401,187			440,766
Debt ²	124,305			143,642
Net Debt ¹	91,244			110,083
Shareholders' equity	185,874			196,997
Outstanding shares (#) *	27,130,556			27,092,041
<i>*27,130,556 at November 8, 2023</i>				

¹ See Non-IFRS and Other Financial Measures.

² Debt as at September 30, 2023 and December 31, 2022 include lease liabilities of \$13,593 and \$15,007, respectively.

Financial Results

Consolidated net sales for Q3 2023 decreased by 2.4% to \$102,195 compared to Q3 2022. This decrease was primarily attributable to lower volume at Rubber Solutions, partially offset by higher sales at Engineered Products. Consolidated net sales for 2023 year-to-date decreased by 7.3% to \$333,329 compared with 2022 year-to-date primarily due to lower sales at AirBoss Defense Group and Rubber Solutions partially offset by strong sales growth at Engineered Products.

Consolidated gross profit for Q3 2023 increased by \$60,802 to \$13,765, compared with Q3 2022, driven primarily by a \$57.0 million non-cash charge at ADG in the prior year related to nitrile glove inventory, and improvements in volumes at Engineered Products. Consolidated gross profit for 2023 year-to-date increased by \$53,924 to \$53,288 compared with 2022 year-to-date, driven by the \$57.0 million non-cash charge noted above and improved margins at Engineered Products.

Adjusted EBITDA for Q3 2023 increased by 470.3% compared to Q3 2022 and decreased by 27.7% for the nine-month period ended September 30, 2023, compared with the nine-month period ended September 30, 2022.

Financial Position

The Company retains a \$250 million credit facility and a net debt to Adjusted EBITDA ratio of 2.49x (from 3.11x at June 30, 2023).

Dividend

The Board of Directors of the Company has approved a quarterly dividend of C\$0.07 per common share, to be paid on January 15, 2024, to shareholders of record at December 29, 2023.

Segment Results

Net sales at ADG for Q3 2023 decreased by 10.0% to \$21,193, from \$23,553 in Q3 2022 and by 33.1% to \$75,839 for 2023 year-to-date, from \$113,354 for 2022 year-to-date. The decrease in Q3 2023 was primarily the result of modest decreases in volume in the industrial sector and the decrease year-to-date was primarily the result of the completion of the large HHS nitrile examination glove order in the early part of 2022, in addition to softness experienced in the molded defense products and the industrial lines of business. Gross profit at ADG for Q3 2023 increased to 2,563, from \$(51,299) in Q3 2022 and to \$15,541 for 2023 year-to-date, from \$(13,874) for 2022 year-to-date. For the quarter, the increase was primarily due to the \$57.0 million non-cash write down in the prior year and lower overhead costs which took effect late in the quarter, partially offset by volume and unfavorable mix. Year-to-date, the increase was primarily due to the \$57.0 million non-cash write-down in the prior year, partially offset by lower volume primarily driven by the large HHS nitrile examination glove order delivered in same period in 2022.

Net sales at AirBoss Rubber Solutions ("ARS") for Q3 2023 decreased by 12.9% to \$50,967, from \$58,484 in Q3 2022 and decreased by 8.1% to \$163,907 for 2023 year-to-date, from \$178,371 for 2022 year-to-date. For Q3 2023, volume was down 9.1%, with decreases across the vast majority of sectors due to decreased momentum at most customer's operations especially in the early part of the quarter followed by a modest recovery towards the end of the quarter. Year-to-date, volume was down 17.9%, with decreases across the majority of sectors and continued signs of softness with many customer's operations. Tolling volume was down 5.9% for the quarter and 59.1% year-to-date, while non-tolling volume was down 9.5% for the quarter and 9.2% year-to-date. Gross profit at ARS for Q3 2023 decreased by 8.7% to \$7,642 (15.0% of net sales) from \$8,370 (14.3% of net sales) in Q3 2022 and by 5.0% to \$24,853 (15.2% of net sales) for 2023 year-to-date, from \$26,169 (14.7% of net sales) for 2022 year-to-date. For the quarter, gross margin percentage increased due to cost management, while the overall gross profit decrease was primarily the result of volume reductions and product mix partially offset by managing controllable overhead costs including additional overhead reductions and continuous improvement initiatives. Year-to-date, the decrease in gross profit was primarily as a result of decreased tolling and non-tolling volumes compared to the same period in 2022, partially offset by managing controllable overhead costs.

Net sales at AirBoss Engineered Products ("AEP") for Q3 2023 increased by 28.5% to \$37,486, from \$29,176 in Q3 2022 and increased by 35.2% to \$116,052, from \$85,857 for 2022 year-to-date. For the quarter, the increase was due to higher volumes and favorable mix in SUV and light truck platforms despite some economic headwinds including the United Auto Workers

("UAW") labor strike which had a modest impact to production schedules across certain OEMs and Tier 1 suppliers in the quarter. Year-to-date, the increase was due to stronger volumes in the SUV, light truck and mini-van platforms compared to the same period in the prior year. This was further supported by the ongoing collaboration with key suppliers and customers resulting in improved revenue. Gross profit at AEP for Q3 2023 increased to \$3,560 from \$(4,108) in Q3 2022 and to \$12,894 for 2023 year-to-date from \$(12,931) for 2022 year-to-date. For the quarter, this increase was primarily the result of favorable volume and product mix in the automotive sector and improved arrangements with key suppliers and customers in addition to operational cost improvements and reduced overhead costs. Year-to-date, this increase was primarily a result of favorable volume and product mix in the automotive sector and improved arrangements with key suppliers and customers with a continued focus on controllable operational cost containment and overhead cost reductions.

Overview

During Q3 2023, AirBoss continued to focus on cost optimization across the organization while managing operational execution and growth initiatives in each segment, despite continued economic headwinds. AEP maintained strong traction and continued to build on momentum established in prior quarters despite some labor unrest with ongoing union strikes with the UAW. ARS saw a slower sales pace early in the quarter followed by progressive traction later in the quarter, specifically in volumes, although residual softness was still present. ADG experienced some contraction in its industrial and defense businesses with continued efforts focused on cost containment initiatives while maintaining a strong focus on its strategic priorities to convert sales opportunities in the coming quarters. The Company continues to navigate ongoing economic impacts being experienced to varying degrees in each segment, and volume recovery for the remainder of 2023 remains subject to the ongoing management of stable and sustained operations of businesses globally.

The Rubber Solutions segment experienced softness in demand early in Q3 2023, with eventual improved volume in the latter part of the quarter. Despite the economic pressures previously noted, the segment took additional steps to reduce costs and optimize its specialty rubber footprint while it continues to execute on its strategy of delivering strong results with specialty products and fulfilling new business through identified synergies and margin expansion. As a segment, Rubber Solutions continued to invest in research and development to support enhanced collaboration with customers and remained focused on further expanding its range of solutions.

ADG experienced residual softness in its industrial and defense businesses, making for a challenging quarter. As a result of this and the delay in converting opportunities, ADG undertook a series of previously announced cost-cutting measures including a reduction in its workforce. The changes are intended to streamline this segment given reduced activity. ADG remains focused on its survivability solutions platform while targeting traditional defense contracts, which management is focused on converting over the next several years. In addition, ADG continues to work with its key customers to leverage the opportunities in its pipeline, as was evidenced with several additional awards in its molded defense portfolio. Conversion of pipeline opportunities remain subject to timing as delays are expected to continue through the next few quarters. In addition, execution on part of the previously announced awards for Husky 2G vehicles has been delayed further due to ongoing delays in funding and turnover in customer personnel, creating a lack of certainty to the scope, timing and the terms and conditions of these awards.

Within the Engineered Products segment, the momentum generated in prior quarters continued through Q3 2023, despite the ongoing challenges presented by OEM labor strikes, raw material availability, supply chain challenges and the resulting production volatility. The segment continued to execute on its financial sustainability plan including some overhead reductions, in addition to continuing to work with key suppliers and customers to deliver stable financial results. Management also continued to focus on operational improvements including managing variable costs and sustaining a stable hourly workforce, while dealing with volume volatility in the automotive sector and specifically on AEP's products for SUV, light truck and mini-van platforms. The segment also continued its focus and commitment to drive efficiencies and best-in-class automation, as well as diversification of its product lines into sectors adjacent to the automotive space. Given the labor strikes with the UAW, further shutdowns experienced towards the end of Q3 2023 could have some lingering impacts into the next quarter.

Despite the continued headwinds associated with economic and geopolitical issues, the Company's longer-term priorities remain intact and include:

1. Growing the core Rubber Solutions segment by positioning it as a specialty supplier of choice in the consolidating North American market, with a growing focus on building defensible leadership positions in selected compounds;
2. Capitalizing on ADG's scale and capabilities to pursue an array of growth and value-creation opportunities in the broader survivability solutions segment serving both defense and first responder markets;
3. Driving improved performance from Engineered Products through a combination of disciplined cost containment, client relationship expansion, new product development and sector diversification; and
4. Targeting accretive acquisition opportunities across the business with a focus on adding new compounds and products, technical capabilities, and geographic reach into selected North American and international markets.

As before, management remains dedicated to the creation of long-term value for all stakeholders through a combination of strategic initiatives that both drive organic growth and support possible transactions.

Conference Call Details and Investor Presentation

A conference call to discuss the quarterly results is scheduled for 9:00 a.m. ET on Thursday, November 9, 2023. Please go to <https://www.gowebcasting.com/12941> or dial in to the following numbers: 1-800-898-3989 or 416-406-0743, pass code: 4183669#. Please connect approximately 10 minutes prior to the call to ensure participation. A replay of the conference call

as well as the Company's updated investor presentation will also be made available at: <https://airboss.com/investor-media-center>.

Investor Contact: investor.relations@airboss.com

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AirBoss of America Corp.

AirBoss of America is a leading and diversified developer, manufacturer and provider of innovative survivability solutions, advanced custom rubber compounds and finished rubber products that are designed to outperform in the most challenging environments. Founded in 1989, the company operates through three divisions. AirBoss Defense Group is a global leader in personal and respiratory protective equipment and technology for the defense, healthcare, medical and first responder communities. AirBoss Rubber Solutions is a top-tier North American custom rubber compounder with 500 million turn pounds of annual capacity. AirBoss Engineered Products is a supplier of innovative anti-vibration solutions to the North American automotive market and other sectors. The Company's shares trade on the TSX under the symbol BOS and on the OTCQX under the symbol ABSSF. Visit www.airboss.com for more information.

Non-IFRS and Other Financial Measures

This earnings release is based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and Non-IFRS Financial Measures. Management believes that these measures provide useful information to investors in measuring the financial performance of the Company. These measures do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS. These terms are not measures of performance under IFRS and should not be considered in isolation or as a substitute for net income under IFRS.

EBITDA and Adjusted EBITDA are non-IFRS measures used to measure the Company's ability to generate cash from operations for debt service, to finance working capital and capital expenditures, potential acquisitions and to pay dividends. EBITDA is defined as earnings before income taxes, finance costs, depreciation, amortization, and impairment costs. Adjusted EBITDA is defined as EBITDA excluding acquisition costs, and non-recurring costs. A reconciliation of Profit to EBITDA and Adjusted EBITDA is below.

	Three-months ended September 30 (unaudited)		Nine-months ended September 30 (unaudited)	
<i>In thousands of US dollars</i>	2023	2022	2023	2022
EBITDA:				
Profit (loss)	(4,633)	(55,957)	(5,791)	(43,889)
Finance costs	2,637	1,282	7,979	3,767
Depreciation, amortization and impairment	5,645	5,412	16,916	16,401
Income tax expense (recovery)	841	(7,131)	721	(2,518)
EBITDA	4,490	(56,394)	19,825	(26,239)
Professional fees related to AEP negotiations	—	664	152	676
Write-down of inventory	—	57,001	—	57,001
Restructuring costs	2,758	—	2,758	—
Adjusted EBITDA	7,248	1,271	22,735	31,438

Adjusted profit is a non-IFRS measure defined as profit before acquisition costs and non-recurring costs. This measure and Adjusted earnings per share are used to evaluate operating results of the Company. A reconciliation of Profit to Adjusted profit and Adjusted earnings per share is below.

	Three-months ended September 30 (unaudited)		Nine-months ended September 30 (unaudited)	
<i>In thousands of US dollars</i>	2023	2022	2023	2022
Adjusted profit:				
Profit (loss)	(4,633)	(55,957)	(5,791)	(43,889)
Professional fees related to AEP negotiations (after tax)	—	508	116	517
Write-down of inventory (after tax)	—	43,606	—	43,606
Restructuring costs (after tax)	2,041	—	2,041	—
Adjusted profit	(2,592)	(11,843)	(3,634)	234
Basic weighted average number of shares outstanding	27,131	27,092	27,118	27,063
Diluted weighted average number of shares outstanding	27,131	27,092	27,118	28,180

Adjusted earnings per share (in US dollars):

Basic	(0.10)	(0.44)	(0.13)	0.01
Diluted	(0.10)	(0.44)	(0.13)	0.01

Net Debt measures the financial indebtedness of the Company assuming that all cash on hand is used to repay a portion of the outstanding debt. A reconciliation of loans and borrowings to Net Debt is below.

	September 30, 2023	December 31, 2022
In thousands of US dollars	(unaudited)	
Net debt:		
Loans and borrowings - current	2,361	2,286
Loans and borrowings - non-current	121,944	141,356
Leases included in loans and borrowings	(13,593)	(15,007)
Cash and cash equivalents	(19,468)	(18,552)
Net debt	91,244	110,083

The Company has a Net Debt to TTM Adjusted EBITDA ratio of 2.49x (December 31, 2022: 2.43x).

Free cash flow is a non-IFRS measure used to evaluate cash flow after investing in the maintenance or expansion of the Company's business. It is defined as cash provided by operating activities, less cash expenditures on long-term assets. A reconciliation of cash from operating activities to free cash flow is below.

	Three-months ended September 30 (unaudited)		Nine-months ended September 30 (unaudited)	
In thousands of US dollars	2023	2022	2023	2022
Free cash flow:				
Net cash provided by (used in) operating activities	8,727	(15,847)	31,626	(38,655)
Acquisition of property, plant and equipment	(1,452)	(2,374)	(4,054)	(6,131)
Acquisition of intangible assets	(651)	(304)	(1,227)	(839)
Proceeds from disposition	9	—	9	—
Free cash flow	6,633	(18,525)	26,354	(45,625)
Basic weighted average number of shares outstanding	27,131	27,092	27,118	27,063
Diluted weighted average number of shares outstanding	27,287	27,092	27,528	27,063
Free cash flow per share (in US dollars):				
Basic	0.24	(0.68)	0.97	(1.69)
Diluted	0.24	(0.68)	0.96	(1.69)

AIRBOSS FORWARD LOOKING INFORMATION DISCLAIMER

Certain statements contained or incorporated by reference herein, including those that express management's expectations or estimates of future developments or AirBoss' future performance, constitute "forward-looking information" or "forward-looking statements" within the meaning of applicable securities laws, and can generally be identified by words such as "will", "may", "could" "expects", "believes", "anticipates", "forecasts", "plans", "intends" or similar expressions. These statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events and performance.

Statements containing forward-looking information are necessarily based upon a number of opinions, estimates and assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies. AirBoss cautions that such forward-looking information involves known and unknown contingencies, uncertainties and other risks that may cause AirBoss' actual financial results, performance or achievements to be materially different from its estimated future results, performance or achievements expressed or implied by the forward-looking information. Numerous factors could cause actual results to differ materially from those in the forward-looking information, including without limitation: impact of general economic conditions, notably including their impact on demand for rubber solutions and products; dependence on key customers; global defense budgets, notably in the Company's target markets, and success of the Company in obtaining new or extended defense contracts; cyclical trends in the tire and automotive, construction, mining and retail industries; sufficient availability of raw materials at economical costs; weather conditions affecting raw materials, production and sales; AirBoss' ability to maintain existing customers or develop new customers in light of increased competition; AirBoss' ability to successfully integrate acquisitions of other businesses and/or companies or to realize on the anticipated benefits thereof; changes in accounting policies and methods, including uncertainties associated with critical accounting assumptions and estimates; changes in the value of the Canadian dollar relative to the US dollar; changes in tax laws; current and future litigation; ability to obtain financing on acceptable terms; environmental damage and non-compliance with environmental laws and regulations; impact of global health situations; potential product liability and warranty claims and equipment malfunction. This list is not exhaustive of the factors that may affect any of AirBoss' forward-looking information.

All of the forward-looking information in this press release is expressly qualified by these cautionary statements. Investors are cautioned not to put undue reliance on forward-looking information. All subsequent written and oral forward-looking information attributable to AirBoss or persons acting on its behalf are expressly qualified in their entirety by this notice. Forward-looking information contained herein is made as of the date of this Interim Report and, whether as a result of new information, future events or otherwise, AirBoss disclaims any intent or obligation to update publicly the forward-looking information except as required by applicable laws. Risks and uncertainties about AirBoss' business are more fully discussed under the heading "Risk Factors" in our most recent Annual Information Form and are otherwise disclosed in our filings with securities regulatory authorities which are available on SEDAR+ at www.sedarplus.com.