

# Hexcel Provides Financial Guidance for a Record Year in 2018 and Updates Outlook Through 2020

- **2018 diluted EPS of \$2.80 – \$2.94 on sales of \$2.10 – \$2.20 billion**
- **2018 free cash flow greater than \$230 million**
- **Targets through 2020:**
  - **Sales growth of 7% – 10% CAGR**
  - **Double-digit EPS growth**
  - **\$1 billion of free cash flow from 2016 to 2020**

STAMFORD, Conn., Dec. 12, 2017 (GLOBE NEWSWIRE) -- Hexcel Corporation (NYSE:HXL), today provided guidance for 2018 and updated its outlook through 2020.

## **2018 Guidance**

Hexcel's 2018 revenue guidance is for sales in the range of \$2.10 billion to \$2.20 billion with Commercial Aerospace leading the company's sales growth. In addition, the company expects 2018 diluted earnings per share to be in the range of \$2.80 to \$2.94, and free cash flow to be in excess of \$230 million.

"We expect to deliver a strong year in 2018 with record sales, earnings, and free cash flow," said Chairman, CEO and President Nick Stanage. "We expect high-single digit sales growth in Commercial Aerospace, stable sales in Space and Defense, and double-digit sales growth in Industrial. We remain focused on innovation and driving efficiencies through operational excellence – both of which help us meet customer expectations and support their growth strategies. Capital expenditures will be reduced by about \$100 million compared to 2017, which will lead to free cash flow acceleration. We remain well positioned to drive long-term value for our shareholders."

## ***Markets***

In 2018, Hexcel expects high-single digit sales growth within Commercial Aerospace, which currently comprises 72% of company sales, as several legacy aircraft programs transition to new models with higher composite content. Commercial Aerospace growth in 2018 will be driven primarily from the A350

XWB program and the ramp-up of the new narrowbody programs (A320neo and B737 MAX). The announced build rate increase for the B787 from 12 to 14 per month in early 2019 will also drive growth in the second half of 2018. Other Commercial Aerospace sales, which account for about 11% of Commercial Aerospace sales, are expected to realize double-digit growth in 2018 as the company benefits from strong program positions and increasing composites penetration.

Hexcel expects sales for Space & Defense, which currently comprises 17% of company sales, to remain stable, with rotorcraft sales anticipated to remain at just over 50% of total Space & Defense sales. Hexcel composites are on more than 100 programs – from military fighter jets to launchers. While some legacy programs are winding down, others are expected to grow in 2018, including the Joint Strike Fighter program.

Industrial sales, which currently comprise 11% of company sales, are expected to increase double digits, as Wind energy sales in 2018 are anticipated to exceed 2016 levels as certain programs with lower composite content transition to longer blades with higher content.

### ***Cash and Other***

Capital expenditures for 2018 are expected to be in the range of \$170 million to \$190 million. Depreciation expense is expected to increase by \$14 million to reflect recent capacity expansion to support future growth.

The 2018 effective tax rate is estimated to be 29%, and cash taxes are forecasted to increase by \$30 million as a result of fewer carryforward adjustments (excluding any Tax Reform impacts on either the rate or cash payments). Free cash flow is forecasted to grow strongly and is expected to be greater than \$230 million for the year, with the typical seasonal use of cash in the first quarter.

The company expects to fund its capital expenditures from its cash from operations. Cash will also be available for M&A activity, the payment of dividends, and the repurchase of common stock. The company has additional debt capacity available and expects any stock repurchases to more than offset the impact of higher interest expense on its earnings per share.

## **Outlook Through 2020**

The company is revising its sales growth expectations through 2020 to a CAGR of 7% to 10% from its previously issued expectation of 6% to 9%. The updated expectation includes:

- Annual average sales growth in Commercial Aerospace of 6% to 9%, led by the ramp up of key next generation aircraft platforms;
- Annual average sales growth in Space & Defense of 3% to 5%, led by increasing build rates on key programs and improving rotorcraft fundamentals; and,
- Annual average sales growth in Industrial in excess of 15%, as the company continues its efforts to leverage its innovative technology in select markets to develop long-term sustainable competitive advantages.

Double-digit EPS growth is expected over the period, which reflects benefits from the company's ongoing focus on operational excellence and from expected leverage on sales growth.

Capital expenditures will step down significantly from recent peak years and will be aligned to meet forecasted customer growth requirements and to ensure that the company is positioned to win new opportunities through 2020 and beyond. The company is reaffirming its target to generate \$1 billion in free cash flow over the five-year period from 2016 to 2020. In addition, the company is targeting a return to shareholders of more than 50% of adjusted net income each year through 2020.

## **Summary**

Mr. Stanage commented: "As we transition from the recent cycle of substantial investments in next-generation aircraft programs, we have a strong foundation from which to deliver high-single digit sales growth, margin expansion and robust cash flow through 2020. Our disciplined yet forward-looking growth strategy has established us as a premier company with industry-leading technologies and an unrivaled product portfolio. We are confident in our ability to maintain a sustainable, competitive advantage and achieve long-term growth."

## **About Hexcel**

Hexcel Corporation is a leading advanced composites company. It develops, manufactures and markets lightweight, high-performance structural materials including carbon fibers, specialty reinforcements, prepregs and other fiber-reinforced matrix materials, honeycomb, adhesives, engineered core and composite structures for use in commercial aerospace, space and defense and industrial applications.

## **Disclaimer on Forward Looking Statements**

This press release contains statements that are forward looking, including statements relating to anticipated trends in constant currency for the markets we serve (including changes in commercial aerospace revenues, the estimates and expectations based on aircraft production rates provided or publicly available by Airbus, Boeing and others, the revenues we may generate from an aircraft model or program, the impact of delays in the startup or ramp-ups of new aircraft programs, the outlook for space & defense revenues and the trend in wind energy and other industrial applications, including whether certain programs might be curtailed or discontinued or customers' inventory levels reduced); our ability to maintain and improve margins in light of the current economic environment; the success of particular applications as well as the general overall economy; our ability to manage cash from operating activities and capital spending in relation to future sales levels such that the Company funds its capital spending plans from cash flows from operating activities, but, if necessary, maintains adequate borrowings under its credit facilities to cover any shortfalls; and the impact of the above factors on our expectations of all financial results for 2017, 2018 and beyond. The loss of, or significant reduction in purchases by Airbus, Boeing, Vestas, or any of our other significant customers could materially impair our business, operating results, prospects and financial condition. Actual results may differ materially from the results anticipated in the forward looking statements due to a variety of factors, including but not limited to changes in currency exchange rates, changing market conditions, increased competition, inability to install, staff and qualify necessary capacity or achievement of planned manufacturing improvements, conditions in the financial markets, product mix, achieving expected pricing and manufacturing costs, availability and cost of raw materials, supply chain disruptions, work stoppages or other labor disruptions, uncertainty regarding the likely exit of the U.K. from the European Union,

unforeseen vulnerability of our network and systems to interruptions or failures and changes in or unexpected issues related to environmental regulations, legal matters, interest rates and tax codes. Additional risk factors are described in our filings with the SEC. We do not undertake an obligation to update our forward-looking statements to reflect future events.

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