

HYSTER-YALE MATERIALS HANDLING, INC.  
Form 10-Q  
May 01, 2018  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(Mark  
One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the quarterly period ended March 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 000-54799

HYSTER-YALE MATERIALS HANDLING, INC.

(Exact name of registrant as specified in its  
charter)

DELAWARE  
(State or other jurisdiction of incorporation  
or organization)

31-1637659  
(I.R.S. Employer  
Identification No.)

5875 LANDERBROOK DRIVE, SUITE  
300, CLEVELAND, OHIO  
(Address of principal executive offices)

44124-4069  
(Zip code)

(440) 449-9600  
(Registrant's telephone number, including area  
code)

N/A  
(Former name, former address and former fiscal  
year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
--	---	--	---	---

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
YES  NO

Number of shares of Class A Common Stock outstanding at April 27, 2018: 12,655,319

Number of shares of Class B Common Stock outstanding at April 27, 2018: 3,895,871

---

HYSTER-YALE MATERIALS HANDLING, INC.  
TABLE OF CONTENTS

		Page Number
<u>Part I.</u>	<u>FINANCIAL INFORMATION</u>	
<u>Item 1</u>	<u>Financial Statements</u>	
	<u>Unaudited Condensed Consolidated Balance Sheets</u>	<u>2</u>
	<u>Unaudited Condensed Consolidated Statements of Operations</u>	<u>3</u>
	<u>Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)</u>	<u>4</u>
	<u>Unaudited Condensed Consolidated Statements of Cash Flows</u>	<u>5</u>
	<u>Unaudited Condensed Consolidated Statements of Changes in Equity</u>	<u>6</u>
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
<u>Item 3</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>31</u>
<u>Item 4</u>	<u>Controls and Procedures</u>	<u>31</u>
<u>Part II.</u>	<u>OTHER INFORMATION</u>	
<u>Item 1</u>	<u>Legal Proceedings</u>	<u>31</u>
<u>Item 1A</u>	<u>Risk Factors</u>	<u>31</u>
<u>Item 2</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>31</u>
<u>Item 3</u>	<u>Defaults Upon Senior Securities</u>	<u>31</u>
<u>Item 4</u>	<u>Mine Safety Disclosures</u>	<u>31</u>
<u>Item 5</u>	<u>Other Information</u>	<u>32</u>
<u>Item 6</u>	<u>Exhibits</u>	<u>32</u>
	<u>Signatures</u>	<u>33</u>



Table of ContentsPART I  
FINANCIAL INFORMATION  
Item 1. Financial StatementsHYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES  
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	MARCH 31 2018	DECEMBER 31 2017
	(In millions, except share data)	
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$228.1	\$ 220.1
Accounts receivable, net	469.5	453.0
Inventories, net	428.0	411.9
Prepaid expenses and other	59.4	46.4
Total Current Assets	1,185.0	1,131.4
Property, Plant and Equipment, Net	266.9	265.4
Intangible Assets, Net	56.2	56.1
Goodwill	60.6	59.1
Deferred Income Taxes	11.4	16.6
Investment in Unconsolidated Affiliates	65.4	81.9
Other Non-current Assets	47.9	37.4
Total Assets	\$1,693.4	\$ 1,647.9
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Accounts payable	\$413.7	\$ 385.8
Accounts payable, affiliates	20.7	18.1
Revolving credit facilities	6.3	6.1
Current maturities of long-term debt	68.4	68.4
Accrued payroll	29.8	51.7
Other current liabilities	168.0	162.3
Total Current Liabilities	706.9	692.4
Long-term Debt	208.7	216.2
Self-insurance Liabilities	31.9	33.5
Pension Obligations	11.1	11.1
Deferred Income Taxes	12.8	13.0
Other Long-term Liabilities	114.0	109.3
Total Liabilities	1,085.4	1,075.5
Stockholders' Equity		
Common stock:		
Class A, par value \$0.01 per share, 12,649,482 shares outstanding (2017 - 12,562,817 shares outstanding)	0.1	0.1
Class B, par value \$0.01 per share, convertible into Class A on a one-for-one basis, 3,898,018 shares outstanding (2017 - 3,899,503 shares outstanding)	0.1	0.1
Capital in excess of par value	317.5	323.8
Treasury stock	(25.1	) (31.5
Retained earnings	402.9	389.1

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

Accumulated other comprehensive loss	(94.6	)	(116.1	)
Total Stockholders' Equity	600.9		565.5	
Noncontrolling Interests	7.1		6.9	
Total Equity	608.0		572.4	
Total Liabilities and Equity	\$1,693.4		\$ 1,647.9	

See notes to unaudited condensed consolidated financial statements.

2

---

Table of ContentsHYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED MARCH 31	
	2018	2017
	(In millions, except per share data)	
Revenues	\$788.2	\$713.1
Cost of sales	656.1	587.0
Gross Profit	132.1	126.1
Operating Expenses		
Selling, general and administrative expenses	112.9	103.5
Operating Profit	19.2	22.6
Other (income) expense		
Interest expense	4.0	1.8
Income from unconsolidated affiliates	(2.8	) (2.1
Other	(1.8	) (1.4
	(0.6	) (1.7
Income Before Income Taxes	19.8	24.3
Income tax provision	4.9	6.2
Net Income Attributable to Stockholders	\$14.9	\$18.1
Basic Earnings per Share	\$0.90	\$1.10
Diluted Earnings per Share	\$0.90	\$1.10
Dividends per Share	\$0.3025	\$0.2950
Basic Weighted Average Shares Outstanding	16.506	16.421
Diluted Weighted Average Shares Outstanding	16.568	16.474

See notes to unaudited condensed consolidated financial statements.

Table of Contents

HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	THREE MONTHS ENDED MARCH 31	
	2018	2017
	(In millions)	
Net Income	\$14.9	\$18.1
Other comprehensive income (loss)		
Foreign currency translation adjustment	9.8	7.5
Current period cash flow hedging activity	13.0	4.5
Reclassification of hedging activities into earnings	0.8	0.1
Reclassification of pension into earnings	0.7	0.7
Comprehensive Income	\$39.2	\$30.9
Other comprehensive (income) loss attributable to noncontrolling interests		
Foreign currency translation adjustment attributable to noncontrolling interests	(0.2 )	(0.3 )
Comprehensive Income Attributable to Stockholders	\$39.0	\$30.6

See notes to unaudited condensed consolidated financial statements.



Table of ContentsHYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED MARCH 31	
	2018	2017
	(In millions)	
Operating Activities		
Net income	\$14.9	\$18.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11.4	10.5
Amortization of deferred financing fees	0.4	0.3
Deferred income taxes	(0.1)	) 1.7
Stock-based compensation	0.7	1.3
Dividends from unconsolidated affiliates	22.2	2.8
Other non-current liabilities	1.2	(2.8 )
Other	—	(1.2 )
Working capital changes, excluding the effect of business acquisitions:		
Accounts receivable	(10.6 )	(17.8 )
Inventories	(13.1 )	(2.7 )
Other current assets	(4.4 )	(4.1 )
Accounts payable	26.3	107.2
Other current liabilities	(20.4 )	(11.3 )
Net cash provided by operating activities	28.5	102.0
Investing Activities		
Expenditures for property, plant and equipment	(7.4 )	(6.4 )
Proceeds from the sale of assets	0.4	0.3
Business acquisitions, net of cash acquired	—	(1.0 )
Net cash used for investing activities	(7.0 )	(7.1 )
Financing Activities		
Additions to long-term debt	8.9	7.6
Reductions of long-term debt	(17.1 )	(10.8 )
Net change to revolving credit agreements	0.1	(65.4 )
Cash dividends paid	(5.0 )	(4.9 )
Financing fees paid	(0.6 )	—
Purchase of treasury stock	(0.6 )	(0.1 )
Net cash used for financing activities	(14.3 )	(73.6 )
Effect of exchange rate changes on cash	0.8	0.8
Cash and Cash Equivalents		
Increase for the period	8.0	22.1
Balance at the beginning of the period	220.1	43.2
Balance at the end of the period	\$228.1	\$65.3

See notes to unaudited condensed consolidated financial statements.



Table of ContentsHYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Class		Capital in Treasury Stock	Capital Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Deferred Gain (Loss) on Cash Flow Hedging	Pension Adjustment	Total Stockholders Equity	Noncontrolling Interests	Total Equity
	A	B				Foreign Currency Translation Adjustment	Deferred Gain on AFS Securities					
(In millions)												
Balance, December 31, 2016	\$0.1	\$0.1	\$(36.9)	\$319.6	\$360.3	\$(92.0)	\$—	\$(12.2)	\$(75.2)	\$463.8	\$6.6	\$470.4
Stock-based compensation	—	—	—	1.3	—	—	—	—	—	1.3	—	1.3
Stock issued under stock compensation plans	—	—	4.4	(4.4)	—	—	—	—	—	—	—	—
Net income	—	—	—	—	18.1	—	—	—	—	18.1	—	18.1
Cash dividends	—	—	—	—	(4.9)	—	—	—	—	(4.9)	—	(4.9)
Current period other comprehensive income	—	—	—	—	—	7.5	—	4.5	—	12.0	—	12.0
Reclassification adjustment to net income	—	—	—	—	—	—	—	0.1	0.7	0.8	—	0.8
Acquisition of a business	—	—	—	—	—	—	—	—	—	—	0.3	0.3
Foreign currency translation on noncontrolling interest	—	—	—	—	—	—	—	—	—	—	0.3	0.3
Balance, March 31, 2017	\$0.1	\$0.1	\$(32.5)	\$316.5	\$373.5	\$(84.5)	\$—	\$(7.6)	\$(74.5)	\$491.1	\$7.2	\$498.3
Balance, December 31, 2017	\$0.1	\$0.1	\$(31.5)	\$323.8	\$389.1	\$(58.5)	\$2.8	\$(1.5)	\$(58.9)	\$565.5	\$6.9	\$572.4
Cumulative effect for change in accounting pronouncement	—	—	—	—	3.9	—	(2.8)	—	—	1.1	—	1.1
Stock-based compensation	—	—	—	0.7	—	—	—	—	—	0.7	—	0.7
	—	—	7.0	(7.0)	—	—	—	—	—	—	—	—

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

Stock issued under stock compensation plans												
Purchase of treasury stock	—	—	(0.6 )	—	—	—	—	—	—	(0.6 )	—	(0.6 )
Net income	—	—	—	—	14.9	—	—	—	—	14.9	—	14.9
Cash dividends	—	—	—	—	(5.0 )	—	—	—	—	(5.0 )	—	(5.0 )
Current period other comprehensive income	—	—	—	—	—	9.8	—	13.0	—	22.8	—	22.8
Reclassification adjustment to net income	—	—	—	—	—	—	—	0.8	0.7	1.5	—	1.5
Foreign currency translation on noncontrolling interest	—	—	—	—	—	—	—	—	—	—	0.2	0.2
Balance, March 31, 2018	\$0.1	\$0.1	\$(25.1)	\$317.5	\$402.9	\$(48.7 )	\$—	\$12.3	\$(58.2 )	\$600.9	\$7.1	\$608.0

See notes to unaudited condensed consolidated financial statements.

Table of Contents

HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2018

(Tabular Amounts in Millions, Except Per Share and Percentage Data)

Note 1—Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Hyster-Yale Materials Handling, Inc., a Delaware corporation, and the accounts of Hyster-Yale's wholly owned domestic and international subsidiaries and majority-owned joint ventures (collectively, "Hyster-Yale" or the "Company"). All intercompany accounts and transactions among the consolidated companies are eliminated in consolidation.

The Company, through its wholly owned operating subsidiary, Hyster-Yale Group, Inc. ("HYG"), designs, engineers, manufactures, sells and services a comprehensive line of lift trucks and aftermarket parts marketed globally primarily under the Hyster® and Yale® brand names, mainly to independent Hyster® and Yale® retail dealerships. Lift trucks and component parts are manufactured in the United States, Northern Ireland, Mexico, the Netherlands, Italy, Vietnam, the Philippines, Japan, Brazil and China.

The Company also operates Bolzoni S.p.A. ("Bolzoni"). Bolzoni is a leading worldwide producer of attachments, forks and lift tables marketed under the Bolzoni Auramo® and Meyer® brand names. Bolzoni products are manufactured in Italy, China, Germany, Finland and the United States. Through the design, production and distribution of a wide range of attachments, Bolzoni has a strong presence in the market niche of lift-truck attachments and industrial material handling.

The Company also operates Nuvera Fuel Cells, LLC ("Nuvera"). Nuvera is an alternative-power technology company focused on fuel-cell stacks and engines.

Investments in Sumitomo NACCO Forklift Co., Ltd. ("SN"), a 50%-owned joint venture, and HYG Financial Services, Inc. ("HYGFS"), a 20%-owned joint venture, are accounted for by the equity method. SN operates manufacturing facilities in Japan, the Philippines and Vietnam from which the Company purchases certain components, service parts and lift trucks. Sumitomo Heavy Industries, Ltd. ("Sumitomo") owns the remaining 50% interest in SN. Each stockholder of SN is entitled to appoint directors representing 50% of the vote of SN's board of directors. All matters related to policies and programs of operation, manufacturing and sales activities require mutual agreement between the Company and Sumitomo prior to a vote of SN's board of directors. HYGFS is a joint venture with Wells Fargo Financial Leasing, Inc. ("WF"), formed primarily for the purpose of providing financial services to independent Hyster® and Yale® lift truck dealers and National Account customers in the United States. National Account customers are large customers with centralized purchasing and geographically dispersed operations in multiple dealer territories. The Company's percentage share of the net income or loss from these equity investments is reported on the line "Income from unconsolidated affiliates" in the "Other (income) expense" portion of the unaudited condensed consolidated statements of operations.

These financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of the Company as of March 31, 2018 and the results of its operations for the three months ended March 31, 2018 and 2017 and the results of its cash flows and changes in equity for the three months ended March 31, 2018 and 2017 have been included. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

The accompanying unaudited condensed consolidated balance sheet at December 31, 2017 has been derived from the audited financial statements at that date but does not include all of the information or notes required by U.S. generally accepted accounting principles for complete financial statements.

7

---

Table of Contents

## Note 2—Recently Issued Accounting Standards

The following table provides a brief description of recent accounting pronouncements adopted January 1, 2018. Unless otherwise noted, the adoption of these standards did not have a material effect on the Company's financial position, results of operations, cash flows or related disclosures.

Standard	Description
Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) (Subsequent ASUs have been issued in 2015, 2016 and 2017 to update or clarify this guidance)	The new guidance is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. See Note 3 for additional information.
ASU No. 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities	The guidance requires equity investments previously accounted for under the cost method of accounting to be measured at fair value and recognized in net income. In addition, the guidance defines measurement and presentation of financial instruments. The Company recorded a cumulative adjustment to retained earnings for deferred gains related to equity investments in third parties as of January 1, 2018 of \$3.6 million. Subsequent changes in the fair value of these investments are recognized directly in earnings.
ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments	The guidance clarifies the classification of certain types of cash receipts and cash payments. In addition, the guidance provides for the application of the predominance principle when certain cash receipts and payments have aspects of more than one class of cash flows.
ASU No. 2016-16, Income Taxes (Topic 740)	The guidance allows for recognition of current and deferred income taxes for an intra-entity transfer of an asset other than inventory. The guidance allows for more accurate representation of the economics of an intra-entity asset transfer which will require income tax consequences of the transfer, including income taxes payable or paid.
ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash	The guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.
ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business	The guidance clarifies the definition of a business to assist entities in evaluating whether transactions should be accounted for as acquisitions or disposals of businesses.
ASU 2017-05, Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition	The guidance clarifies the scope and accounting of a financial asset that meets the definition of an "in-substance nonfinancial asset" and defines the term, "in-substance nonfinancial asset," in addition to partial sales of nonfinancial assets.
ASU 2017-07, Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement	The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. As of January 1, 2018, the Company presents the components of net benefit cost, other

than service cost, in other (income) expense for its pension plans. Service cost for the Company's pension plans continues to be reported in operating profit. Accordingly, the Company has reclassified \$0.8 million of income related to the components of net benefit cost, other than service cost, to other (income) expense for the three months ended March 31, 2017 in the unaudited condensed consolidated statements of operations.

ASU No. 2018-05, Income Taxes  
(Topic 740)

The guidance codifies Staff Accounting Bulletin No. 118 regarding the application of US GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Cuts and Jobs Act (the "Tax Reform Act"). See Note 5 for additional details regarding the status of the Company's provisional amounts recorded at December 31, 2017 as a result of the Tax Reform Act.



Table of Contents

The following table provides a brief description of recent accounting pronouncements not yet adopted:

Standard	Description	Required Date of Adoption	Effect on the financial statements or other significant matters
ASU No. 2016-02, Leases (Topic 842)(Subsequent ASUs have been issued in 2017 to update or clarify this guidance)	The guidance requires lessees (with the exception of short-term leases) to recognize, at the commencement date, a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.	January 1, 2019	The Company's evaluation process of the new standard includes, but is not limited to, evaluating its current lease portfolio, identifying relevant contracts and attributes affected by the standard and determining the required accounting upon adoption. In addition, the Company expects to implement new processes and controls regarding asset financing transactions and financial reporting. The Company continues to evaluate its global leasing portfolio and train relevant personnel. In addition, the Company has started abstraction of key attributes within lease contracts and began to evaluate systems-related requirements for the new standard. This evaluation will continue throughout 2018. While the Company's evaluation of the alternative methods of adoption, practical expedients and the effect on its financial position, results of operations, cash flows and related disclosures is ongoing; the Company anticipates the adoption will materially affect the consolidated balance sheets and will require changes to the Company's systems and processes.
ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities	The guidance makes targeted changes to the hedge accounting model intended to facilitate financial reporting that more closely reflects an entity's risk management activities and to simplify the application of hedge accounting. Changes include expanding the types of risk management strategies eligible for hedge accounting, easing the documentation and effectiveness assessment requirements, changing how ineffectiveness is measured and changing the presentation and disclosure requirements for hedge accounting activities.	January 1, 2019	The Company is currently evaluating the guidance and the effect on its financial position, results of operations, cash flows and related disclosures.
ASU 2018-02, Reclassification of Certain Tax Effects	The guidance provides an election to reclassify the stranded tax effects resulting	January 1, 2019	The Company is currently evaluating the guidance and the effect on its financial position, results of operations, cash flows and related

<p>from Accumulated Other Comprehensive Income</p>	<p>from the Tax Reform Act from OCI to retained earnings. In addition, the guidance requires new disclosures regarding the election to adopt and the manner in which tax effects remaining in OCI are released.</p>	<p>disclosures.</p>
<p>ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326)</p>	<p>The guidance eliminates the probable initial recognition threshold and requires an entity to reflect its current estimate of all expected credit losses. The guidance also requires additional disclosures in certain circumstances.</p>	<p>January 1, 2020 The Company is currently evaluating the alternative methods of adoption and the effect on its financial position, results of operations, cash flows and related disclosures.</p>
<p>ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment</p>	<p>The guidance removes the second step of the two-step test for the measurement of goodwill impairment. The guidance allows for early adoption for impairment testing dates after January 1, 2017.</p>	<p>January 1, 2020 The Company is currently evaluating the timing of adoption and the effect on its current impairment testing process.</p>

Table of Contents

## Note 3—Revenue

Adoption of the new revenue standard: On January 1, 2018, the Company adopted Accounting Standards Codification Topic 606, “Revenue from Contracts with Customers,” which includes clarifying ASUs issued in 2015, 2016 and 2017 (“new revenue standard”). The new revenue standard was applied to all open revenue contracts using the modified-retrospective method as of January 1, 2018. The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The Company does not expect the impact of the adoption of the new standard to be material to net income on an ongoing basis.

As of January 1, 2018, the cumulative effect on the Company’s unaudited condensed consolidated balance sheet for the adoption of the new revenue standard was as follows:

	Balance at December 31, 2017	Adjustments due to New Revenue Standard	Balance at January 1, 2018
Accounts receivable, net	\$ 453.0	\$ 0.5	\$ 453.5
Inventories, net	411.9	(0.3 )	411.6
Prepaid expenses and other	46.4	1.1	47.5
Other current liabilities	162.3	1.0	163.3
Retained earnings	389.1	0.3	389.4

In accordance with the adoption of the new revenue standard, the effect of adoption on the March 31, 2018 unaudited condensed consolidated income statement and balance sheet was as follows:

MARCH 31, 2018			
	As Reported	Amount before the new revenue standard	Change Higher/(Lower)
Revenues	\$ 788.2	\$ 788.5	\$ (0.3 )
Cost of sales	656.1	656.4	(0.3 )
Gross profit	132.1	132.1	—
Operating profit	19.2	19.2	—
Income before income taxes	19.8	19.8	—
Income tax provision	4.9	4.9	—
Net income	14.9	14.9	—
MARCH 31, 2018			
	As Reported	Amount before the new revenue standard	Change Higher/(Lower)
Accounts receivable, net	\$ 469.5	\$ 469.1	\$ 0.4
Inventories, net	428.0	428.3	(0.3 )
Prepaid expenses and other	59.4	59.0	0.4
Other current liabilities	168.0	168.2	(0.2 )
Retained earnings	402.9	402.6	0.3

The Company has elected to apply the practical expedient to reflect the aggregate effect of all modifications when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price. The Company does not disclose the value of unsatisfied performance obligations for revenue contracts with an original expected length of one year or less.

Accounting policy: Revenue is recognized when obligations under the terms of a contract with the customer are satisfied which occurs when control of the trucks, parts, or services are transferred to the customer. Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing services. The satisfaction of performance obligations under the terms of a revenue contract generally gives rise for the right to payment from the customer. The Company's standard payment terms vary by the type and location of the customer and the products or services offered. Generally, the time between when revenue is recognized and when payment is due is not significant. Given the insignificant days between revenue recognition and receipt of payment, financing components do not exist between the Company and its

Table of Contents

customers. Taxes collected from customers are excluded from revenue. The estimated costs of product warranties are recognized as expense when the products are sold. See Note 11 for further information on product warranties.

The majority of the Company's sales contracts contain performance obligations satisfied at a point in time when title and risks and rewards of ownership have transferred to the customer. Revenue for service contracts are recognized as the services are provided.

The Company also records variable consideration in the form of estimated reductions to revenues for customer programs and incentive offerings, including special pricing agreements, promotions and other volume-based incentives. Lift truck sales revenue is recorded net of estimated discounts. The estimated discount amount is based upon historical experience and trend analysis for each lift truck model. In addition to standard discounts, dealers can also request additional discounts that allow them to offer price concessions to customers. From time to time, the Company offers special incentives to increase market share or dealer stock and offers certain customers volume rebates if a specified cumulative level of purchases is obtained.

For contracts with customers that include multiple performance obligations, judgment is required to determine whether performance obligations specified in these contracts are distinct and should be accounted for as separate revenue transactions for recognition purposes. For such arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are generally determined based on the prices charged to customers or using expected cost plus margin. Impairment losses recognized on receivables or contract assets were not significant for the three months ended March 31, 2018.

The Company generally expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are reported on the line "Selling, general and administrative expenses" in the unaudited condensed consolidated statement of operations.

The Company pays for shipping and handling activities regardless of when control is transferred and has elected to account for shipping and handling as activities to fulfill the promise to transfer the good, rather than a promised service. These costs are reported on the line "Cost of sales" in the unaudited condensed consolidated statements of operations.

The following table disaggregates revenue by category:

	MARCH 31, 2018						
	Lift truck business						
	Americas	EMEA	JAPIC	Bolzoni	Nuvera	Elims	Total
Dealer sales	\$301.9	\$165.3	\$40.0	\$ —	\$ —	\$ —	\$507.2
Direct customer sales	81.7	1.7	—	—	—	—	83.4
Aftermarket sales	87.6	27.0	9.2	—	—	—	123.8
Other	24.7	3.9	0.3	51.2	0.3	(6.6 )	73.8
Total Revenues	\$495.9	\$197.9	\$49.5	\$ 51.2	\$ 0.3	\$(6.6)	\$788.2

Dealer sales are recognized when the Company transfers control based on the shipping terms of the contract, which is generally when the truck is shipped from the manufacturing facility to the dealers. The majority of direct customer sales are to National Account customers. In these transactions, the Company transfers control and recognizes revenue when it delivers the product to the customer according to the terms of the contract. Aftermarket sales represent part sales, extended warranty and maintenance services. For the sale of aftermarket parts, the Company transfers control and recognizes revenue when parts are shipped to the customer. When customers are given the right to return eligible parts and accessories, the Company estimates the expected returns based on an analysis of historical experience. The Company adjusts estimated revenues at the earlier of when the most likely amount of consideration expected to be

received changes or when the consideration becomes fixed. The Company recognizes revenue for extended warranty and maintenance agreements based on the standalone selling price over the life of the contract, which reflects the costs to perform under these contracts, which corresponds with, and thereby depicts the transfer of control to the customer. Bolzoni revenue is primarily the sale of attachments to customers. In these transactions, the Company transfers control and recognizes revenue according to the shipping terms of the contract. In all revenue transactions, the Company receives cash equal to the invoice price and amount of consideration received and revenue recognized may vary with changes in marketing incentives.

Table of Contents

Deferred Revenue: The Company defers revenue for transactions that have not met the criteria for recognition at the time payment is collected, including extended warranties and maintenance contracts. In addition, for certain products, services and customer types, the Company collects payment prior to the transfer of control to the customer.

	Deferred Revenue
Balance, December 31, 2017	\$ 51.6
Customer deposits and billings	9.5
Revenue recognized	(13.2 )
Foreign currency effect	0.1
Balance, March 31, 2018	\$ 48.0

## Note 4—Business Segments

The Company's reportable segments for the lift truck business include the following three management units: the Americas, EMEA and JAPIC. Americas includes operations in the United States, Canada, Mexico, Brazil, Latin America and its corporate headquarters. EMEA includes operations in Europe, the Middle East and Africa. JAPIC includes operations in the Asia and Pacific regions, including China, as well as the equity earnings of SN operations. Certain amounts are allocated to these geographic management units and are included in the segment results presented below, including product development costs, corporate headquarter's expenses and certain information technology infrastructure costs. These allocations among geographic management units are determined by senior management and not directly incurred by the geographic operations. In addition, other costs are incurred directly by these geographic management units based upon the location of the manufacturing plant or sales units, including manufacturing variances, product liability, warranty and sales discounts, which may not be associated with the geographic management unit of the ultimate end user sales location where revenues and margins are reported. Therefore, the reported results of each segment for the lift truck business cannot be considered stand-alone entities as all segments are inter-related and integrate into a single global lift truck business.

The Company reports the results of both Bolzoni and Nuvera as separate segments. Intercompany sales between Nuvera, Bolzoni and the lift truck business have been eliminated.

Financial information for each reportable segment is presented in the following table:

	THREE MONTHS ENDED MARCH 31	
	2018	2017
Revenues from external customers		
Americas	\$495.9	\$466.0
EMEA	197.9	162.4
JAPIC	49.5	43.8
Lift truck business	743.3	672.2
Bolzoni	51.2	41.6
Nuvera	0.3	2.6
Eliminations	(6.6 )	(3.3 )
Total	\$788.2	\$713.1
Gross profit (loss)		
Americas	\$85.8	\$84.9
EMEA	25.8	22.5
JAPIC	4.5	5.5

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

Lift truck business	116.1	112.9
Bolzoni	17.0	13.8
Nuvera	(0.9 )	(0.6 )
Eliminations	(0.1 )	—
Total	\$132.1	\$126.1

12

---



Table of Contents

	THREE MONTHS ENDED MARCH 31	
	2018	2017
Operating profit (loss)		
Americas	\$27.9	\$29.6
EMEA	0.9	0.9
JAPIC	(2.2 )	(0.7 )
Lift truck business	26.6	29.8
Bolzoni	2.7	2.3
Nuvera	(10.0 )	(9.5 )
Eliminations	(0.1 )	—
Total	\$19.2	\$22.6
Net income (loss) attributable to stockholders		
Americas	\$20.4	\$20.5
EMEA	1.0	1.1
JAPIC	(0.7 )	0.7
Lift truck business	20.7	22.3
Bolzoni	1.9	1.5
Nuvera	(7.3 )	(5.7 )
Eliminations	(0.4 )	—
Total	\$14.9	\$18.1

## Note 5—Income Taxes

The income tax provision includes U.S. federal, state and local, and foreign income taxes and is based on the application of a forecasted annual income tax rate applied to the current quarter's year-to-date pre-tax income or loss. In determining the estimated annual effective income tax rate, the Company analyzes various factors, including projections of the Company's annual earnings, taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, the Company's ability to use tax credits and net operating loss carryforwards and capital loss carryforwards, and available tax planning alternatives. Discrete items, including the effect of changes in tax laws, tax rates and certain circumstances with respect to valuation allowances or the tax effect of other unusual or nonrecurring transactions or adjustments are reflected in the period in which they occur as an addition to, or reduction from, the income tax provision, rather than included in the estimated effective annual income tax rate.

The Company has evaluated the guidance regarding the Tax Reform Act issued to date, which has not resulted in a material change to the provisional amounts the Company accrued upon enactment for the one-time transition tax on the unremitted earnings and profits of non-U.S. subsidiaries and the impact of the tax rate change on cumulative deferred taxes. The Company will continue to monitor additional guidance to be issued through the date of the filing of its 2017 U.S. federal and state tax returns, at which time the amount of the one-time transition tax and the impact of the change in tax rate upon cumulative deferred taxes will be finalized. The final amounts recorded may materially differ from these provisional amounts due to among other things, additional analysis, changes in interpretations of the Tax Reform Act including interpretations by state and local taxing authorities and related assumptions of the Company, and additional regulatory guidance that may be issued, which could potentially affect the measurement of these provisional tax amounts.

The Company has considered the provisions of the Tax Reform Act in computing its 2018 estimated effective annual income tax rate. As such, the estimated effective income tax rate for the three months ended March 31, 2018 includes

favorable items related to the reduced federal tax rate of 21% on U.S. earnings and a deduction for foreign-derived intangible income, or FDII, partly offset by unfavorable items related to the global intangible low-taxed income, or GILTI, non-deductible expenses primarily related to compensation, as well as an increase in state income taxes, net of the federal benefit.

Table of Contents

## Note 6—Reclassifications from OCI

The following table summarizes reclassifications out of accumulated other comprehensive income (loss) ("OCI") as recorded in the unaudited condensed consolidated statements of operations:

Details about OCI Components	Amount Reclassified from OCI		Affected Line Item in the Statement Where Net Income Is Presented
	THREE MONTHS ENDED MARCH 31 2018	2017	
Gain (loss) on cash flow hedges:			
Foreign exchange contracts	\$(1.0)	\$(0.2)	Cost of sales
Total before tax	(1.0 )	(0.2 )	Income before income taxes
Tax expense	0.2	0.1	Income tax provision
Net of tax	\$(0.8)	\$(0.1)	Net income
Amortization of defined benefit pension items:			
Actuarial loss	\$(1.0)	\$(1.0)	(a)
Prior service credit	0.1	0.1	(a)
Total before tax	(0.9 )	(0.9 )	Income before income taxes
Tax expense	0.2	0.2	Income tax provision
Net of tax	\$(0.7)	\$(0.7)	Net income
Total reclassifications for the period	\$(1.5)	\$(0.8)	

(a) These OCI components are included in the computation of net pension cost (see Note 8 for additional details).

## Note 7—Financial Instruments and Derivative Financial Instruments

## Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term maturities of these instruments. The fair values of revolving credit agreements and long-term debt, excluding capital leases, were determined using current rates offered for similar obligations taking into account company credit risk. This valuation methodology is Level 2 as defined in the fair value hierarchy. At March 31, 2018, the fair value and carrying value of revolving credit agreements and long-term debt, excluding capital leases, was \$266.6 million and \$265.2 million, respectively. At December 31, 2017, the fair value and carrying value of revolving credit agreements and long-term debt, excluding capital leases, was \$272.2 million and \$270.9 million, respectively.

## Derivative Financial Instruments

The Company uses forward foreign currency exchange contracts to partially reduce risks related to transactions denominated in foreign currencies. These contracts hedge firm commitments and forecasted transactions relating to cash flows associated with sales and purchases denominated in non-functional currencies. The Company offsets fair value amounts related to foreign currency exchange contracts executed with the same counterparty. Changes in the fair value of forward foreign currency exchange contracts that are effective as hedges are recorded in OCI. Deferred gains or losses are reclassified from OCI to the unaudited condensed consolidated statements of operations in the same period as the gains or losses from the underlying transactions are recorded and are generally recognized in cost of sales. The ineffective portion of derivatives that are classified as hedges is immediately recognized in earnings and is

also generally recognized in cost of sales.

The Company periodically enters into foreign currency exchange contracts that do not meet the criteria for hedge accounting. These derivatives are used to reduce the Company's exposure to foreign currency risk related to forecasted purchase or sales transactions or forecasted intercompany cash payments or settlements. Gains and losses on these derivatives are generally recognized in cost of sales.

The Company periodically enters into forward foreign currency contracts that are designated as net investment hedges of the Company's net investment in its foreign subsidiaries. For derivative instruments that are designated and qualified as a hedge of a net investment in foreign currency, the gain or loss is reported in other comprehensive income as part of the cumulative translation adjustment to the extent it is effective. The Company utilizes the forward-rate method of assessing hedge

Table of Contents

effectiveness. Any ineffective portion of net investment hedges would be recognized in the unaudited condensed consolidated statement of operations in the same period as the change.

The Company uses cross-currency swaps, which hedge the variability of expected future cash flows that are attributable to foreign currency risk of certain intercompany loans. These agreements include initial and final exchanges of principal and associated interest payments from fixed euro denominated to fixed U.S.-denominated amounts. Changes in the fair value of cross-currency swaps that are effective as hedges are recorded in OCI. Deferred gains or losses are reclassified from OCI to the unaudited condensed consolidated statements of operations in the same period as the gains or losses from the underlying transactions are recorded and are generally recognized in other (income) expense and interest expense. The ineffective portion of derivatives that are classified as hedges is immediately recognized in earnings and is also generally recognized in other (income) expense.

The Company uses interest rate swap agreements to partially reduce risks related to floating rate financing agreements that are subject to changes in the market rate of interest. Terms of the interest rate swap agreements require the Company to receive a variable interest rate and pay a fixed interest rate. The Company's interest rate swap agreements and its variable rate financings are predominately based upon the one or three-month LIBOR. Changes in the fair value of interest rate swap agreements that are effective as hedges are recorded in OCI. Deferred gains or losses are reclassified from OCI to the unaudited condensed consolidated statements of operations in the same period as the gains or losses from the underlying transactions are recorded and are generally recognized in interest expense. The ineffective portion of derivatives that are classified as hedges is immediately recognized in earnings and included on the line "Other" in the "Other (income) expense" section of the unaudited condensed consolidated statements of operations.

Cash flows from hedging activities are reported in the unaudited condensed consolidated statements of cash flows with the same classification as the hedged item, generally as a component of cash flows from operations.

The Company measures its derivatives at fair value on a recurring basis using significant observable inputs. This valuation methodology is Level 2 as defined in the fair value hierarchy. The Company uses a present value technique that incorporates yield curves and foreign currency spot rates to value its derivatives and also incorporates the effect of the Company's and its counterparties' credit risk into the valuation.

The Company does not currently hold any nonderivative instruments designated as hedges or any derivatives designated as fair value hedges.

**Foreign Currency Derivatives:** The Company held forward foreign currency exchange contracts with total notional amounts of \$891.9 million at March 31, 2018, primarily denominated in euros, U.S. dollars, Japanese yen, British pounds, Swedish kroner, Mexican pesos and Australian dollar. The Company held forward foreign currency exchange contracts with total notional amounts of \$860.2 million at December 31, 2017, primarily denominated in euros, U.S. dollars, Japanese yen, British pounds, Swedish kroner, Mexican pesos and Australian dollars. The fair value of these contracts approximated a net asset of \$11.7 million and a net liability of \$2.1 million at March 31, 2018 and December 31, 2017, respectively.

Forward foreign currency exchange contracts that qualify for hedge accounting are generally used to hedge transactions expected to occur within the next 36 months. The mark-to-market effect of forward foreign currency exchange contracts that are considered effective as hedges has been included in OCI. Based on market valuations at March 31, 2018, \$7.0 million of the amount of net deferred gain included in OCI at March 31, 2018 is expected to be reclassified as income into the unaudited condensed consolidated statement of operations over the next twelve months, as the transactions occur.

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

Interest Rate Derivatives: The Company holds certain contracts that hedge interest payments on its \$200.0 million term loan (the "Term Loan") borrowings and one and three-month LIBOR borrowings. The following table summarizes the notional amounts, related rates, excluding spreads, and remaining terms of interest rate swap agreements at March 31, 2018 and December 31, 2017:

Notional Amount		Average Fixed Rate			Term at March 31, 2018
March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017		
\$100.0	\$ 100.0	1.47%	1.47	%	Extending to December 2018
\$56.5	\$ 56.5	1.94%	1.94	%	Extending to November 2022
\$83.5	\$ 83.5	2.20%	2.20	%	December 2018 to May 2023

Table of Contents

The Company does not apply hedge accounting to the interest rate derivatives which expire December 2018. The fair value of all interest rate swap agreements was a net asset of \$3.1 million and \$0.8 million at March 31, 2018 and December 31, 2017, respectively. The mark-to-market effect of interest rate swap agreements that are considered effective as hedges has been included in OCI. Based on market valuations at March 31, 2018, \$0.1 million of the amount included in OCI is expected to be reclassified as income in the unaudited condensed consolidated statement of operations over the next twelve months, as cash flow payments are made in accordance with the interest rate swap agreements.

The following table summarizes the fair value of derivative instruments reflected on a gross basis by contract as recorded in the unaudited condensed consolidated balance sheets:

Asset Derivatives		MARCH 31		DECEMBER 31		Liability Derivatives	
Balance Sheet Location		2018	2017	Balance Sheet Location		2018	2017
Derivatives designated as hedging instruments							
Cash Flow Hedges							
Interest rate swap agreements							
Current	Prepaid expenses and other	\$ 0.2	\$ —	Prepaid expenses and other	\$ —	\$ 0.1	
	Other current liabilities	—	—	Other current liabilities	—	—	
Long-term	Other non-current assets	2.4	0.7	Other non-current assets	—	—	
	Other long-term liabilities	—	—	Other long-term liabilities	—	0.1	
Foreign currency exchange contracts							
Current	Prepaid expenses and other	15.2	8.3	Prepaid expenses and other	2.9	4.0	
	Other current liabilities	1.8	2.8	Other current liabilities	2.1	4.3	
Long-term	Other non-current assets	10.6	3.9	Other non-current assets	0.8	1.3	
	Other long-term liabilities	—	0.5	Other long-term liabilities	9.5	7.7	
Total derivatives designated as hedging instruments		\$ 30.2	\$ 16.2		\$ 15.3	\$ 17.5	
Derivatives not designated as hedging instruments							
Cash Flow Hedges							
Interest rate swap agreements							
Current	Prepaid expenses and other	\$ 0.6	\$ 0.4	Prepaid expenses and other	\$ —	\$ —	
Long-term	Other long-term liabilities	—	—	Other long-term liabilities	0.1	0.1	
Foreign currency exchange contracts							
Current	Prepaid expenses and other	1.0	0.8	Prepaid expenses and other	1.2	0.4	
	Other current liabilities	0.1	0.1	Other current liabilities	0.6	0.8	
Long-term	Other non-current assets	0.1	—	Other long-term liabilities	—	—	
		\$ 1.8	\$ 1.3			\$ 1.9	\$ 1.3

Total derivatives not designated as  
hedging instruments

Total derivatives	\$ 32.0	\$ 17.5	\$ 17.2	\$ 18.8
-------------------	---------	---------	---------	---------



Table of Contents

The following table summarizes the offsetting of the fair value of derivative instruments on a gross basis by counterparty as recorded in the unaudited condensed consolidated balance sheets:

	Derivative Assets as of March 31, 2018				Derivative Liabilities as of March 31, 2018			
	Gross Amount of Recognized Assets	Gross Amounts Offset	Net Amounts Presented	Net Amount	Gross Amount of Recognized Liabilities	Gross Amounts Offset	Net Amounts Presented	Net Amount
Cash Flow Hedges								
Interest rate swap agreements	\$3.2	\$(0.1)	\$ 3.1	\$ 3.1	\$0.1	\$(0.1)	\$ —	\$ —
Foreign currency exchange contracts	22.0	(10.3)	11.7	11.7	10.3	(10.3)	—	—
Total derivatives	\$25.2	\$(10.4)	\$ 14.8	\$ 14.8	\$10.4	\$(10.4)	\$ —	\$ —

	Derivative Assets as of December 31, 2017				Derivative Liabilities as of December 31, 2017			
	Gross Amount of Recognized Assets	Gross Amounts Offset	Net Amounts Presented	Net Amount	Gross Amount of Recognized Liabilities	Gross Amounts Offset	Net Amounts Presented	Net Amount
Cash Flow Hedges								
Interest rate swap agreements	\$1.0	\$(0.2)	\$ 0.8	\$ 0.8	\$0.2	\$(0.2)	\$ —	\$ —
Foreign currency exchange contracts	7.3	(7.3)	—	—	9.4	(7.3)	2.1	2.1
Total derivatives	\$8.3	\$(7.5)	\$ 0.8	\$ 0.8	\$9.6	\$(7.5)	\$ 2.1	\$ 2.1

The following table summarizes the pre-tax impact of derivative instruments as recorded in the unaudited condensed consolidated statements of operations:

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from OCI into Income (Effective Portion)		Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)		Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	THREE MONTHS ENDED MARCH 31	THREE MONTHS ENDED MARCH 31	THREE MONTHS ENDED MARCH 31	THREE MONTHS ENDED MARCH 31	THREE MONTHS ENDED MARCH 31	THREE MONTHS ENDED MARCH 31	THREE MONTHS ENDED MARCH 31	THREE MONTHS ENDED MARCH 31
Derivatives designated as hedging instruments	2018	2017	2018	2017	2018	2017	2018	2017

Cash Flow							
Hedges							
Interest rate swap agreements	\$2.0	\$—	Interest expense	\$—	\$—	Other	\$(0.1) \$—
Foreign currency exchange contracts	15.6	7.0	Cost of sales	(1.0 )	(0.2 )	Cost of sales	0.2 —
Total	\$17.6	\$7.0		\$(1.0)	\$(0.2)		\$0.1 \$—
							Amount of Gain or (Loss) Recognized in Income on Derivative THREE MONTHS ENDED MARCH 31
							2018 2017
Derivatives Not Designated as Hedging Instruments							
Cash Flow Hedges							
Interest rate swap agreements						Other	\$0.3 \$0.1
Foreign currency exchange contracts						Cost of sales	0.3 (0.7 )
Total							\$0.6 \$(0.6)

Table of Contents

## Note 8—Retirement Benefit Plans

The Company maintains various defined benefit pension plans that provide benefits based on years of service and average compensation during certain periods. The Company's policy is to make contributions to fund these plans within the range allowed by applicable regulations. Plan assets consist primarily of publicly traded stocks and government and corporate bonds.

Pension benefits for employees covered under the Company's U.S. and U.K. plans are frozen. Only certain grandfathered employees in the Netherlands still earn retirement benefits under a defined benefit pension plan. All other eligible employees of the Company, including employees whose pension benefits are frozen, receive retirement benefits under defined contribution retirement plans.

The components of pension (income) expense are set forth below:

	THREE MONTHS ENDED MARCH 31	
	2018	2017
U.S. Pension		
Interest cost	\$0.6	\$0.7
Expected return on plan assets	(1.2 )	(1.2 )
Amortization of actuarial loss	0.5	0.4
Amortization of prior service credit	(0.1 )	(0.1 )
Total	\$(0.2)	\$(0.2)
Non-U.S. Pension		
Service cost	\$0.1	\$0.1
Interest cost	1.0	1.0
Expected return on plan assets	(2.7 )	(2.2 )
Amortization of actuarial loss	0.5	0.6
Total	\$(1.1)	\$(0.5)

## Note 9—Inventories

Inventories are summarized as follows:

	MARCH 31		DECEMBER 31	
	2018		2017	
Finished goods and service parts	\$ 210.9		\$ 193.7	
Work in process	20.4		19.9	
Raw materials	240.8		239.0	
Total manufactured inventories	472.1		452.6	
LIFO reserve	(44.1	)	(40.7	)
Total inventory	\$ 428.0		\$ 411.9	

Inventories are stated at the lower of cost or market for last-in, first-out (“LIFO”) inventory or lower of cost or net realizable value for first-in, first-out (“FIFO”) inventory. At March 31, 2018 and December 31, 2017, 49% of total inventories were determined using the LIFO method, which consists primarily of manufactured inventories, including service parts, in the United States. The FIFO method is used with respect to all other inventories. An actual valuation of inventory under the LIFO method can be made only at the end of the year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must be based on management's estimates of expected year-end inventory levels and costs. Because these estimates are subject to change and may be different than the actual

inventory levels and costs at the end of the year, interim results are subject to the final year-end LIFO inventory valuation.

Table of Contents

## Note 10—Current and Long-Term Financing

On March 14, 2018, the Company entered into an amendment to the Term Loan. As a result of the amendment, among other things, the floating rate margin under the Term Loan, which can be a base rate or Eurodollar rate, as defined in the Term Loan, is 2.25% for base rate loans and 3.25% for Eurodollar rate loans.

The Company incurred fees and expenses of \$0.6 million in the first quarter of 2018 related to the amendment which were deferred and are being amortized as interest expense over the term of the applicable debt agreements. Fees related to the Term Loan are presented as a direct deduction of the corresponding debt.

## Note 11—Product Warranties

The Company provides a standard warranty on its lift trucks, generally for twelve months or 1,000 to 2,000 hours. For certain series of lift trucks, the Company provides a standard warranty of one to two years or 2,000 or 4,000 hours. For certain components in some series of lift trucks, the Company provides a standard warranty of two to three years or 4,000 to 6,000 hours. The Company estimates the costs which may be incurred under its standard warranty programs and records a liability for such costs at the time product revenue is recognized.

In addition, the Company sells separately-priced extended warranty agreements for its lift trucks, which generally provide a warranty for an additional two to five years or up to 2,400 to 10,000 hours. The specific terms and conditions of those warranties vary depending upon the product sold and the country in which the Company does business. Revenue received for the sale of extended warranty contracts is deferred and recognized in the same manner as the costs incurred to perform under the warranty contracts.

The Company also maintains a quality enhancement program under which it provides for specifically identified field product improvements in its warranty obligation. Accruals under this program are determined based on estimates of the potential number of claims and the cost of those claims based on historical and anticipated costs.

The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. Factors that affect the warranty liability include the number of units sold, historical and anticipated rates of warranty claims and the cost per claim.

Changes in the Company's current and long-term warranty obligations, including deferred revenue on extended warranty contracts, are as follows:

	2018
Balance at December 31, 2017	\$51.0
Current year warranty expense	9.8
Change in estimate related to pre-existing warranties	(0.2 )
Payments made	(8.1 )
Foreign currency effect	0.3
Balance at March 31, 2018	\$52.8

## Note 12—Contingencies

Various legal and regulatory proceedings and claims have been or may be asserted against the Company relating to the conduct of its businesses, including product liability, environmental and other claims. These proceedings and claims are incidental to the ordinary course of business. Management believes that it has meritorious defenses and will vigorously defend the Company in these actions. Any costs that management estimates will be paid as a result of these claims are accrued when the liability is considered probable and the amount can be reasonably estimated. Although

the ultimate disposition of these proceedings is not presently determinable, management believes, after consultation with its legal counsel, that the likelihood is remote that costs will be incurred materially in excess of accruals already recognized.

Note 13—Guarantees

Under various financing arrangements for certain customers, including independent retail dealerships, the Company provides recourse or repurchase obligations such that it would be obligated in the event of default by the customer. Terms of the third-party financing arrangements for which the Company is providing recourse or repurchase obligations generally range from one

Table of Contents

to five years. Total amounts subject to recourse or repurchase obligations at March 31, 2018 and December 31, 2017 were \$205.2 million and \$203.5 million, respectively. As of March 31, 2018, losses anticipated under the terms of the recourse or repurchase obligations were not significant and reserves have been provided for such losses based on historical experience in the accompanying unaudited condensed consolidated financial statements. The Company generally retains a security interest in the related assets financed such that, in the event the Company would become obligated under the terms of the recourse or repurchase obligations, the Company would take title to the assets financed. The fair value of collateral held at March 31, 2018 was approximately \$255.7 million based on Company estimates. The Company estimates the fair value of the collateral using information regarding the original sales price, the current age of the equipment and general market conditions that influence the value of both new and used lift trucks. The Company also regularly monitors the external credit ratings of the entities for which it has provided recourse or repurchase obligations. As of March 31, 2018, the Company did not believe there was a significant risk of non-payment or non-performance of the obligations by these entities; however, there can be no assurance that the risk may not increase in the future. In addition, the Company has an agreement with WF to limit its exposure to losses at certain eligible dealers. Under this agreement, losses related to \$57.6 million of recourse or repurchase obligations for these certain eligible dealers are limited to 7.5% of their original loan balance, or \$13.6 million as of March 31, 2018. The \$57.6 million is included in the \$205.2 million of total amounts subject to recourse or repurchase obligations at March 31, 2018.

Generally, the Company sells lift trucks through its independent dealer network or directly to customers. These dealers and customers may enter into a financing transaction with HYGFS or other unrelated third parties. HYGFS provides debt and lease financing to both dealers and customers. On occasion, the credit quality of a customer or credit concentration issues within WF may require the Company to provide recourse or repurchase obligations of the lift trucks purchased by customers and financed through HYGFS. At March 31, 2018, approximately \$176.5 million of the Company's total recourse or repurchase obligations of \$205.2 million related to transactions with HYGFS. In connection with the joint venture agreement, the Company also provides a guarantee to WF for 20% of HYGFS' debt with WF, such that the Company would become liable under the terms of HYGFS' debt agreements with WF in the case of default by HYGFS. At March 31, 2018, loans from WF to HYGFS totaled \$1.1 billion. Although the Company's contractual guarantee was \$229.6 million, the loans by WF to HYGFS are secured by HYGFS' customer receivables, of which the Company guarantees \$176.5 million. Excluding the HYGFS receivables guaranteed by the Company from HYGFS' loans to WF, the Company's incremental obligation as a result of this guarantee to WF is \$203.1 million, which is secured by 20% of HYGFS' customer receivables and other secured assets of \$276.6 million. HYGFS has not defaulted under the terms of this debt financing in the past, and although there can be no assurances, the Company is not aware of any circumstances that would cause HYGFS to default in future periods.

The following table includes the exposure amounts related to the Company's guarantees at March 31, 2018:

	HYGFS	Total
Total recourse or repurchase obligations	\$ 176.5	\$ 205.2
Less: exposure limited for certain dealers	57.6	57.6
Plus: 7.5% of original loan balance	13.6	13.6
	132.5	161.2
Incremental obligation related to guarantee to WF	203.1	203.1
Total exposure related to guarantees	\$ 335.6	\$ 364.3

## Note 14—Equity Investments

The Company maintains an interest in one variable interest entity, HYGFS. HYGFS is a joint venture with WF formed primarily for the purpose of providing financial services to independent Hyster® and Yale® lift truck dealers and National Account customers in the United States and is included in the Americas segment. The Company does not have a controlling financial interest or have the power to direct the activities that most significantly affect the

economic performance of HYGFS. Therefore, the Company is not the primary beneficiary and uses the equity method to account for its 20% interest in HYGFS. The Company does not consider its variable interest in HYGFS to be significant.

The Company has a 50% ownership interest in SN, a limited liability company which was formed primarily to manufacture and distribute Sumitomo-branded lift trucks in Japan and export Hyster®- and Yale®-branded lift trucks and related components and service parts outside of Japan. The Company purchases products from SN under agreed-upon terms. The Company's ownership in SN is also accounted for using the equity method of accounting and is included in the JAPIC segment.

The Company's percentage share of the net income or loss from its equity investments in HYGFS and SN is reported on the line "Income from unconsolidated affiliates" in the "Other (income) expense" section of the unaudited condensed consolidated



Table of Contents

statements of operations. The Company's equity investments are included on the line "Investment in Unconsolidated Affiliates" in the unaudited condensed consolidated balance sheets. At March 31, 2018 and December 31, 2017, the Company's investment in HYGFS was \$16.6 million and \$35.2 million, respectively. The Company's investment in SN was \$38.9 million and \$36.8 million at March 31, 2018 and December 31, 2017, respectively. Bolzoni's investment in unconsolidated affiliates was \$0.6 million and \$0.5 million at March 31, 2018 and December 31, 2017, respectively. The Company received dividends of \$20.1 million and \$2.4 million from HYGFS in the first quarter of 2018 and 2017, respectively. The Company received dividends of \$2.1 million and \$0.4 million from SN in the first quarter of 2018 and 2017, respectively.

The Company has an equity investment in a third party valued using a quoted market price in an active market, or Level 1 in the fair value hierarchy. The Company's investment as of March 31, 2018 was \$9.3 million, which includes a \$0.4 million loss included on the line "Other" in the "Other (income) expense" section of the unaudited condensed consolidated statements of operations.

Summarized financial information for HYGFS and SN is as follows:

	THREE MONTHS ENDED MARCH 31	
	2018	2017
Revenues	\$100.5	\$85.1
Gross profit	\$31.9	\$27.0
Income from continuing operations	\$10.2	\$6.5
Net income	\$10.2	\$6.5

## Note 15—Acquisitions

On December 6, 2017, the Company's indirect wholly owned subsidiary, Hyster-Yale Acquisition Holding Ltd. ("Acquisition Co."), entered into an Equity Transfer Agreement ("ETA") with KNSN Pipe & Pile Company Limited ("KNSN"), pursuant to which Acquisition Co. will purchase 75% of the equity interest of Zhejiang Maximal Forklift Co., Ltd. ("Maximal") from KNSN for an aggregate purchase price of \$90.0 million. After the closing under the ETA, which the Company currently anticipates to be in the second quarter of 2018, the remaining 25% of the equity interest of Maximal will be owned by the current senior management of Maximal, through Y-C Hong Kong Holding Company Limited ("HK Holding Co."). Maximal is a privately held manufacturer of utility and standard lift trucks and specialized materials handling equipment founded in 2006 in the Hangzhou, Zhejiang Province of China.

Under the terms of the ETA, upon the closing, the Company will pay \$81.0 million to a jointly-controlled bank account under the name of KNSN, and KNSN is only allowed to use such amount to repay intercompany indebtedness owed by KNSN to Maximal and to remove existing related-party guarantees provided by Maximal. Any balance amount remaining after fulfilling the specified purposes will belong to KNSN. In addition, upon the closing, the Company will pay \$9.0 million to an escrow account, which will be released to KNSN in two installments. The first installment of \$2.7 million will be released on the second anniversary of the closing and the second installment of \$6.3 million will be released on the third anniversary of the closing subject to a number of conditions. The closing of the transaction is subject to customary closing conditions and required regulatory approvals. KNSN is obligated to indemnify the Company from and against any breach of representations and warranties and any liabilities and losses associated with the pre-closing operations of Maximal. Either party has a right to terminate the transaction if the closing conditions (other than governmental approvals) have not been satisfied within nine months of the signing, with no penalties on either party.

In addition, on December 6, 2017, the Company signed an incentive agreement with Mr. Jin Hong Lu, a key member of senior management of Maximal and the majority shareholder of KNSN. Pursuant to this agreement, the Company will pay \$10.0 million to Mr. Lu by the third anniversary of the closing under the ETA, provided that Mr. Lu, his immediate family members and any affiliates fully comply with the non-competition, conflict of interest, non-solicitation, and compliance covenants set forth in the agreement.

On December 6, 2017, pursuant to the terms of the ETA, Mr. Lu signed and issued a Guarantee and Undertaking Letter for the benefit of the Company, guaranteeing KNSN's performance of all terms under the ETA. In the case of any breach of the ETA by KNSN, Mr. Lu shall be liable and shall indemnify the Company against any losses arising from such breach in accordance with the ETA and applicable laws.

Table of Contents

The Company recognized \$0.5 million and \$0.9 million of acquisition-related costs during the first quarter of 2018 and 2017, respectively, which are included in the Americas segment. These costs are included in the line "Selling, general and administrative expenses" in the unaudited condensed consolidated statements of operations.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(Tabular Amounts in Millions, Except Per Share and Percentage Data)

Hyster-Yale Materials Handling, Inc. ("Hyster-Yale" or the "Company") and its subsidiaries, including its operating company Hyster-Yale Group, Inc. ("HYG"), is a leading, globally integrated, full-line lift truck manufacturer. The Company offers a broad array of solutions aimed at meeting the specific materials handling needs of its customers, including attachments and hydrogen fuel-cell power products, telematics, automation and fleet management services, as well as an array of other power options for its lift trucks. The Company, through HYG, designs, engineers, manufactures, sells and services a comprehensive line of lift trucks, attachments and aftermarket parts marketed globally primarily under the Hyster® and Yale® brand names, mainly to independent Hyster® and Yale® retail dealerships. The materials handling business historically has been cyclical because the rate of orders for lift trucks fluctuates depending on the general level of economic activity in the various industries and countries its customers serve. Lift trucks and component parts are manufactured in the United States, Northern Ireland, Mexico, the Netherlands, Italy, Vietnam, the Philippines, Japan, Brazil and China.

The Company also operates Bolzoni S.p.A. ("Bolzoni"). Bolzoni is a leading worldwide producer of attachments, forks and lift tables marketed under the Bolzoni Auramo® and Meyer® brand names. Bolzoni products are manufactured in Italy, China, Germany, Finland and the United States. Through the design, production and distribution of a wide range of attachments, Bolzoni has a strong presence in the market niche of lift-truck attachments and industrial material handling.

The Company also operates Nuvera Fuel Cells, LLC ("Nuvera"). Nuvera is an alternative-power technology company focused on fuel cell stacks and engines.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Please refer to the discussion of Critical Accounting Policies and Estimates as disclosed on pages 14 through 18 in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. Critical Accounting Policies and Estimates have not materially changed since December 31, 2017. See Note 2 and Note 3 to the unaudited condensed consolidated financial statements for a discussion of the new accounting pronouncements adopted on January 1, 2018.

## FINANCIAL REVIEW

The results of operations for the Company were as follows:

	THREE MONTHS ENDED MARCH 31		Favorable / (Unfavorable)	
	2018	2017	% Change	
Lift truck unit shipments (in thousands)				
Americas	15.6	14.9	4.7	%
EMEA	7.5	7.0	7.1	%
JAPIC	1.7	1.4	21.4	%
	24.8	23.3	6.4	%
Revenues				
Americas	\$495.9	\$466.0	6.4	%

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

EMEA	197.9	162.4	21.9	%
JAPIC	49.5	43.8	13.0	%
Lift truck business	743.3	672.2	10.6	%
Bolzoni	51.2	41.6	23.1	%
Nuvera	0.3	2.6	(88.5)	)%
Eliminations	(6.6 )	(3.3 )	100.0	%
	\$788.2	\$713.1	10.5	%

22

---

Table of Contents

	THREE MONTHS ENDED MARCH 31		Favorable / (Unfavorable)	
	2018	2017	% Change	
Gross profit (loss)				
Americas	\$85.8	\$84.9	1.1	%
EMEA	25.8	22.5	14.7	%
JAPIC	4.5	5.5	(18.2)	)%
Lift truck business	116.1	112.9	2.8	%
Bolzoni	17.0	13.8	23.2	%
Nuvera	(0.9 )	(0.6 )	50.0	%
Eliminations	(0.1 )	—	n.m.	
	\$132.1	\$126.1	4.8	%
Selling, general and administrative expenses				
Americas	\$57.9	\$55.3	(4.7)	)%
EMEA	24.9	21.6	(15.3)	)%
JAPIC	6.7	6.2	(8.1)	)%
Lift truck business	89.5	83.1	(7.7)	)%
Bolzoni	14.3	11.5	(24.3)	)%
Nuvera	9.1	8.9	(2.2)	)%
	\$112.9	\$103.5	(9.1)	)%
Operating profit (loss)				
Americas	\$27.9	\$29.6	(5.7)	)%
EMEA	0.9	0.9	—	%
JAPIC	(2.2 )	(0.7 )	(214.3)	)%
Lift truck business	26.6	29.8	(10.7)	)%
Bolzoni	2.7	2.3	17.4	%
Nuvera	(10.0 )	(9.5 )	5.3	%
Eliminations	(0.1 )	—	n.m.	
	\$19.2	\$22.6	(15.0)	)%
Interest expense	\$4.0	\$1.8	(122.2)	)%
Other (income) expense	\$(4.6 )	\$(3.5 )	31.4	%
Net income (loss) attributable to stockholders				
Americas	\$20.4	\$20.5	(0.5)	)%
EMEA	1.0	1.1	(9.1)	)%
JAPIC	(0.7 )	0.7	(200.0)	)%
Lift truck business	20.7	22.3	(7.2)	)%
Bolzoni	1.9	1.5	26.7	%
Nuvera	(7.3 )	(5.7 )	28.1	%
Eliminations	(0.4 )	—	n.m.	
	\$14.9	\$18.1	(17.7)	)%
Diluted earnings per share	\$0.90	\$1.10	(18.2)	)%
Reported income tax rate	24.7	% 25.5	%	

Table of Contents

Following is the detail of the Company's unit shipments, bookings and backlog of unfilled orders placed with its manufacturing and assembly operations for new lift trucks, reflected in thousands of units. As of March 31, 2018, substantially all of the Company's backlog is expected to be sold within the next twelve months.

	THREE MONTHS ENDED MARCH 31	
	2018	2017
Unit backlog, beginning of period	33.8	30.7
Unit shipments	(24.8)	(23.3)
Unit bookings	27.1	24.8
Unit backlog, end of period	36.1	32.2

The following is the detail of the approximate sales value of the Company's lift truck unit bookings and backlog, reflected in millions of dollars. The dollar value of bookings and backlog is calculated using the current unit bookings and backlog and the forecasted average sales price per unit.

	THREE MONTHS ENDED MARCH 31	
	2018	2017
Bookings, approximate sales value	\$ 620	\$ 550
Backlog, approximate sales value	\$ 930	\$ 750

## First Quarter of 2018 Compared with First Quarter of 2017

The following table identifies the components of change in revenues for the first quarter of 2018 compared with the first quarter of 2017:

	Revenues
2017	\$ 713.1
Increase (decrease) in 2018 from:	
Unit volume and product mix	37.0
Foreign currency	27.1
Bolzoni revenues	9.6
Parts	6.5
Price	5.4
Other	(8.2 )
Nuvera revenues	(2.3 )
2018	\$ 788.2

Revenues increased 10.5% to \$788.2 million in the first quarter of 2018 from \$713.1 million in the first quarter of 2017. The increase was mainly due to higher unit and parts volume, favorable foreign currency movements and improved pricing to offset material cost increases in the lift truck business. In addition, increased Bolzoni revenues contributed to the improvement in revenues during the first quarter of 2018 compared with the first quarter of 2017.

Revenues in the Americas increased in the first quarter of 2018 compared with the first quarter of 2017 primarily as a result of increased unit shipments of higher-priced lift trucks. Revenues increased primarily from higher sales of Class 5 internal combustion engine lift trucks, including the XT/MX standard truck and Big Trucks, and Class 1 electric trucks, partially offset by reduced sales of lower-priced Class 2 trucks.

EMEA's revenues increased in the first quarter of 2018 compared with the first quarter of 2017 mainly as a result of favorable currency movements of \$24.8 million from the translation of sales into U.S. dollars and increased unit shipments. The increase in revenues in EMEA primarily related to Class 1, Class 2 and Class 3 electric trucks and Class 5 internal combustion engine trucks, including Big Trucks.

Revenues in JAPIC increased in the first quarter of 2018 compared with the first quarter of 2017, mainly as a result of increased unit shipments and favorable currency movements of \$2.6 million from the translation of sales into U.S. dollars.

Table of Contents

Bolzoni's revenues increased in the first quarter of 2018 compared with the first quarter of 2017, mainly as a result of favorable foreign currency movements of \$6.7 million and higher volume in the EMEA and Americas market.

The following table identifies the components of change in operating profit for the first quarter of 2018 compared with the first quarter of 2017:

	Operating Profit
2017	\$ 22.6
Increase (decrease) in 2018 from:	
Lift truck selling, general and administrative expenses	(6.4 )
Nuvera operations	(0.5 )
Lift truck gross profit	3.1
Bolzoni operations	0.4
2018	\$ 19.2

The Company recognized operating profit of \$19.2 million in the first quarter of 2018 compared with \$22.6 million in the first quarter of 2017. The decrease in operating profit was mainly due to an increase in lift truck selling, general and administrative expenses partially offset by higher lift truck gross profit. The increase in the lift truck selling, general and administrative expenses is primarily related to employee-related costs for sales and development of new products, as well as unfavorable foreign currency movements. The increase in the lift truck gross profit was primarily attributable to higher unit shipments, improved pricing and favorable currency movements of \$3.5 million, partially offset by material and manufacturing cost inflation in the first quarter of 2018.

Operating profit in the Americas decreased in the first quarter of 2018 compared with the first quarter of 2017 primarily as a result of higher selling, general and administrative expenses mainly from higher employee-related costs for sales and development of new products. This was partially offset by modestly improved gross profit mainly due to higher unit shipments and improved pricing, net of material and manufacturing cost inflation, and unfavorable foreign currency movements of \$3.4 million.

EMEA's operating profit in the first quarter of 2018 was comparable to the first quarter of 2017. Higher gross profit from favorable currency movements of \$7.4 million and improved pricing was offset by higher material costs and an increase in selling, general and administrative expenses, including \$1.7 million of unfavorable foreign currency movements and higher sales costs to support the Company's strategic initiatives.

The operating loss in JAPIC increased in the first quarter of 2018 compared with the first quarter of 2017, primarily as a result of lower gross profit, including unfavorable currency movements of \$0.5 million and deal-specific pricing, as well as higher selling, general and administrative expenses as the Company continues to execute its strategic initiatives.

The Company recognized net income attributable to stockholders of \$14.9 million in the first quarter of 2018 compared with \$18.1 million in the first quarter of 2017. The decrease was primarily the result of lower operating profit and higher interest expense in the first quarter of 2018 compared with the first quarter of 2017.



Table of Contents

## LIQUIDITY AND CAPITAL RESOURCES

## Cash Flows

The following tables detail the changes in cash flow for the three months ended March 31:

	2018	2017	Change
Operating activities:			
Net income	\$14.9	\$18.1	\$(3.2 )
Depreciation and amortization	11.4	10.5	0.9
Dividends from unconsolidated affiliates	22.2	2.8	19.4
Other	2.2	(0.7 )	2.9
Working capital changes	(22.2 )	71.3	(93.5 )
Net cash provided by operating activities	28.5	102.0	(73.5 )
Investing activities:			
Expenditures for property, plant and equipment	(7.4 )	(6.4 )	(1.0 )
Other	0.4	(0.7 )	1.1
Net cash used for investing activities	(7.0 )	(7.1 )	0.1
Cash flow before financing activities	\$21.5	\$94.9	\$(73.4)

Net cash provided by operating activities decreased \$73.5 million in the first three months of 2018 compared with the first three months of 2017, primarily as a result of the change in working capital items partially offset by increased dividends from unconsolidated affiliates mainly due to the one-time benefit at HYGFS resulting from the Tax Cuts and Jobs Act (the "Tax Reform Act"). The change in working capital was primarily attributable to accounts payable in the Americas returning to normalized levels in the first quarter of 2018, following an unplanned systems-related acceleration of supplier payments in December 2016.

	2018	2017	Change
Financing activities:			
Net decreases of long-term debt and revolving credit agreements	\$(8.1 )	\$(68.6)	\$60.5
Cash dividends paid	(5.0 )	(4.9 )	(0.1 )
Financing fees paid	(0.6 )	—	(0.6 )
Other	(0.6 )	(0.1 )	(0.5 )
Net cash used for financing activities	\$(14.3)	\$(73.6)	\$59.3

Net cash used for financing activities decreased \$59.3 million during the first three months of 2018 compared with the first three months of 2017. The decrease was due to repayments of borrowings under the Facility (as defined below) during the first three months of 2017, primarily due to the unplanned systems-related acceleration of supplier payments in December 2016.

## Financing Activities

The Company has a \$200.0 million secured, floating-rate revolving credit facility (the "Facility") that expires in April 2022. There were no borrowings outstanding under the Facility at March 31, 2018. The excess availability under the Facility at March 31, 2018 was \$195.3 million, which reflects reductions of \$4.7 million for letters of credit and other restrictions. The Facility consists of a U.S. revolving credit facility of \$120.0 million and a non-U.S. revolving credit facility of \$80.0 million. The Facility can be increased up to \$300.0 million over the term of the agreement in minimum increments of \$10.0 million subject to certain conditions. The obligations under the Facility are generally secured by a lien on the working capital assets of the borrowers in the Facility, which include but are not limited to, cash and cash equivalents, accounts receivable and inventory and a second lien on the Term Loan Collateral (defined below). The approximate book value of assets held as collateral under the Facility was \$1.0 billion as of March 31,

2018.

Borrowings bear interest at a floating rate based on a base rate or LIBOR, as defined in the Facility, plus an applicable margin. The applicable margins, effective March 31, 2018, for U.S. base rate loans and LIBOR loans were 0.25% and 1.25%, respectively. The applicable margin, effective March 31, 2018, for non-U.S. base rate loans and LIBOR loans was 1.25%. The applicable LIBOR interest rates under the Facility on March 31, 2018 were 3.00% and 1.25%, respectively, for the U.S. and

26

---

Table of Contents

non-U.S. facility including the applicable floating rate margin. The Facility also required the payment of a fee of 0.350% per annum on the unused commitment as of March 31, 2018.

The Facility includes restrictive covenants, which, among other things, limit additional borrowings and investments of the Company and its subsidiaries subject to certain thresholds, as defined in the Facility, and limits the payment of dividends. If availability for both total and U.S. revolving credit facilities on a pro forma basis, is greater than fifteen percent and less than or equal to twenty percent, the Company may pay dividends subject to achieving a minimum fixed charge coverage ratio of 1.00 to 1.00, as defined in the Facility. If the availability is greater than twenty percent for both total and U.S. revolving credit facilities on a pro forma basis, the Company may pay dividends without any minimum fixed charge coverage ratio requirement. The Facility also requires the Company to achieve a minimum fixed charge coverage ratio in certain circumstances in which total excess availability is less than ten percent of the total commitments under the Facility or excess availability under the U.S. revolving credit facility is less than ten percent of the U.S. revolver commitments, as defined in the Facility. At March 31, 2018, the Company was in compliance with the covenants in the Facility.

The Company also has a \$200.0 million term loan (the "Term Loan"), which matures in May 2023. The Term Loan requires quarterly principal payments on the last day of each March, June, September and December in an amount equal to \$2.5 million. Payments commenced in September 2017 and the final principal repayment is due on May 30, 2023. The Company may also be required to make mandatory prepayments, in certain circumstances, as provided in the Term Loan. At March 31, 2018, there was \$192.5 million of principle outstanding under the Term Loan which has been reduced in the unaudited condensed consolidated balance sheet by \$4.4 million of discounts and unamortized deferred financing fees.

The obligations under the Term Loan are generally secured by a first priority lien on the present and future shares of capital stock, material real property, fixtures and general intangibles consisting of intellectual property (collectively, the "Term Loan Collateral") and a second priority lien on the collateral of the U.S. borrowers in the Facility. The approximate book value of assets held as collateral under the Term Loan was \$720 million as of March 31, 2018.

Borrowings under the Term Loan bear interest at a floating rate, which can be a base rate or Eurodollar rate, as defined in the Term Loan, plus an applicable margin. The applicable margin, as provided in the Term Loan, is 2.25% for U.S. base rate loans and 3.25% for Eurodollar loans. The interest rate on the amount outstanding under the Term Loan at March 31, 2018 was 5.13%. In addition, the Term Loan includes restrictive covenants, which, among other things, limit additional borrowings and investments of the Company subject to certain thresholds, as provided in the Term Loan. The Term Loan limits the payment of regularly scheduled dividends and other restricted payments to \$50.0 million in any fiscal year, unless the consolidated total net leverage ratio, as defined in the Term Loan, does not exceed 1.75 to 1.00 at the time of the payment. At March 31, 2018, the Company was in compliance with the covenants in the Term Loan.

The Company incurred fees and expenses of \$0.6 million in 2018 related to the amendment. These fees were deferred and are being amortized as interest expense over the term of the applicable debt agreements. Fees related to the Term Loan are presented as a direct deduction of the corresponding debt.

The Company had other debt outstanding, excluding capital leases, of approximately \$72.7 million at March 31, 2018. In addition to the excess availability under the Facility, the Company had remaining availability of \$46.2 million related to other non-U.S. revolving credit agreements.

The Company believes funds available from cash on hand, the Term Loan, the Facility, other available lines of credit and operating cash flows will provide sufficient liquidity to meet its operating needs and commitments during the next twelve months and until the expiration of the Facility in April 2022.

Contractual Obligations, Contingent Liabilities and Commitments

Since December 31, 2017, there have been no significant changes in the total amount of the Company's contractual obligations or commercial commitments, or the timing of cash flows in accordance with those obligations, as reported on pages 29 and 30 in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Table of Contents

## Capital Expenditures

The following table summarizes actual and planned capital expenditures:

	Three Months Ended March 31 2018	Planned for Remainder of 2018	Planned 2018 Total	Actual 2017
Lift truck business	\$ 5.3	\$ 31.5	\$ 36.8	\$ 35.3
Bolzoni	0.8	6.2	7.0	4.7
Nuvera	1.3	5.0	6.3	1.0
	\$ 7.4	\$ 42.7	\$ 50.1	\$ 41.0

Planned expenditures for the remainder of 2018 are primarily for product development, improvements to information technology infrastructure, improvements at manufacturing locations and manufacturing equipment. The principal sources of financing for these capital expenditures are expected to be internally generated funds and bank financing.

## Capital Structure

The Company's capital structure is presented below:

	MARCH 31 2018	DECEMBER 31 2017	Change
Cash and cash equivalents	\$ 228.1	\$ 220.1	\$ 8.0
Other net tangible assets	546.5	527.8	18.7
Intangible assets	56.2	56.1	0.1
Goodwill	60.6	59.1	1.5
Net assets	891.4	863.1	28.3
Total debt	(283.4 )	(290.7 )	7.3
Total equity	\$ 608.0	\$ 572.4	\$ 35.6
Debt to total capitalization	32 %	34 %	(2 )%

## OUTLOOK

## Consolidated Outlook

On a consolidated basis, the Company expects its consolidated operating profit to be substantially higher for the 2018 full year due to (1) an expected improvement in Bolzoni's operating profit attributable to anticipated higher sales volumes, (2) a lower operating loss at Nuvera, primarily in the fourth quarter of 2018, from an expected reduction in component costs, and (3) a modest improvement in operating profit at the Lift Truck business as benefits from anticipated higher unit and parts revenues are expected to be largely offset by material cost inflation and higher operating expenses as the Company continues to invest in its strategic growth initiatives.

Consolidated net income is also expected to increase substantially due to the absence of tax adjustments of \$18.4 million made in 2017 for U.S. tax reform legislation.

Excluding the favorable effect from the 2016 unplanned acceleration of payments on the first quarter of 2017, consolidated cash flow before financing activities is expected to increase significantly in 2018 compared with 2017, primarily due to the cash dividend received in the first quarter of 2018 from the Company's financing joint venture as a result of U.S. tax reform legislation.

## Americas Outlook

In the first quarter of 2018, the Americas market continued the double digit growth experienced in 2017, primarily as a result of strong growth in the North America Class 5 internal combustion engine market and substantial growth in the smaller Brazil market as the economic climate in that country continued to improve. While there are positive economic indicators in many of the Company's industry segments, the Company believes that some of the market growth resulted from certain customers placing orders early in anticipation of increasing prices from material cost inflation and new tariffs. As a result, in 2018, the Company expects the Americas market to continue to grow but at a more moderate rate than the double digit growth

## Table of Contents

experienced in the first quarter of 2018. In this market environment, and as share gain initiatives mature, unit shipments, revenues and parts sales are expected to increase over the remainder of 2018 compared with the same period in 2017. However, benefits anticipated in operating profit from an increase in unit shipments are expected to be offset by material and manufacturing cost inflation, net of price increases; higher operating expense levels as further investments in sales capabilities are made to fund growth initiatives; and a shift in mix to lower-margin Class 1, Class 2 and Class 5 units. As a result, full-year 2018 operating profit is expected to be comparable to 2017. Operating profit in the first half of 2018 is expected to be lower than the first half of 2017, but this decrease is expected to be offset by improvements in the second half of the year. The Americas implemented price increases in both January and April 2018 to help recover anticipated material cost inflation, and expects to continue to implement pricing actions as needed. However, since the price increases do not apply to the current customer backlog, the offsetting impact is expected to be realized on a lag basis in the second half of the year.

### EMEA Outlook

EMEA markets are expected to grow moderately in the remainder of 2018, consistent with the first quarter. As a result of these current market conditions and anticipated market share gains, volume is expected to increase moderately. Price increases and a large favorable currency impact based on current currency rates are expected to further increase revenues. EMEA expects an increase in shipments of Class 2 and Class 3 warehouse trucks and lower-capacity Class 5 internal combustion engine trucks. Higher operating expenses to support the Company's strategic initiatives are expected to partially offset the benefits to operating profit from the anticipated revenue increase, including favorable currency effects. Results in the first half of 2018 are anticipated to be down from the first half of 2017 due to the timing of pricing and material cost increases, with improvements in operating profit returning in the second half of the year, primarily in the fourth quarter, as price increases go into effect. However, the Company is concerned about political tensions and sanctions in Russia, which could have a material impact on results in that country.

### JAPIC Outlook

In 2018, the JAPIC market is expected to be higher than originally anticipated, driven by the continued strength in the China market. As a result of the continued implementation of the Company's strategic initiatives, revenues are expected to improve in 2018. However, operating results are expected to be comparable to 2017 as higher employee-related expenses are expected to offset the benefits from higher revenues. Operating results in the first half of 2018 are expected to be lower than the first half of 2017, but are expected to be offset by improvements in the second half of the year.

### Overall Lift Truck Outlook

The Company remains focused on increasing unit volumes and market share in its Lift Truck business in 2018 and beyond through the continued implementation of its key strategic initiatives, which include delivering industry- and customer-focused solutions, providing low cost of ownership and enhanced productivity for customers, enhancing independent distribution, growing in emerging markets, maintaining leadership in the attachments business and providing leadership in fuel cells and their applications. The Company has realigned its sales and marketing teams and has also increased sales resources to execute the Company's specific industry strategies more effectively. The Company continues to maintain its focus on a carefully paced ramp up in production and achievement of price goals, while maintaining a healthy backlog to achieve production efficiencies.

To meet customer needs, the Company is developing new products in many segments that are expected to support its increased market share objectives. The Company is currently focused on enhancing its electric and warehouse products. In late 2017, the Company launched new versions of the Class 3 electric-stacker warehouse truck in EMEA and expects to introduce new Class 3 warehouse products in the Americas, including a new end-rider truck, and, in the

first half of 2018, new Class 1 electric counterbalanced trucks in EMEA. The new end-rider truck and Class 2 Reach Truck for the Americas market are currently undergoing customer testing and production is expected to begin in the second half of 2018. The Company is also working with a customer to test a 52-ton Big Truck powered by lithium-ion batteries, and is testing an 8-9 ton high-performance, lithium-ion counterbalanced truck in EMEA. The Company also has additional plans to expand its Big Truck product line. These new products, as well as those recently launched and the introduction of new products in the pipeline, including trucks with new Nuvera fuel cell battery box replacements ("BBRs"), are expected to contribute to market share gains, improve revenues and enhance operating margins.

The overall global lift truck market is expected to grow modestly in 2018 compared with 2017. However, the Company anticipates that benefits from expected unit and parts revenue increases, driven by continued investments in the Company's strategic initiatives, is expected to be mostly offset by material cost inflation and higher operating expenses resulting in a modest increase in 2018 operating profit compared with 2017. Nevertheless, net income in 2018 is expected to increase substantially over 2017 as a result of the absence of the tax adjustments made in 2017 for U.S. tax reform legislation.



## Table of Contents

The Company anticipates that commodity costs will continue to increase as the year progresses, although these costs, particularly for steel, remain volatile and sensitive to changes in the global economy. The Company will continue to monitor these costs closely and adjust pricing accordingly.

### Bolzoni Outlook

The majority of Bolzoni's revenues are generated in the EMEA market, primarily Western and Eastern Europe, and, to a lesser degree, in North America. As a result of anticipated growth in both the Americas and EMEA, and the continued implementation of sales enhancement programs, Bolzoni expects revenues in 2018 to increase compared with 2017.

In addition to the anticipated increase in revenues and the expected operating leverage resulting from the sales growth, the continued implementation of several key strategic programs is expected to generate substantial growth in Bolzoni's 2018 operating profit and net income compared with 2017.

### Nuvera Outlook

Due to the premium cost position and limited product range of currently available BBRs, the Company is taking a measured approach to developing its customer base by building relationships with customers who are willing to pay a premium for the high power density of the current Nuvera BBR solution and the product support now offered through the Lift Truck business. In addition, the federal fuel cell tax credit, which was recently extended for a five-year term retroactive to January 1, 2017, is expected to make the economics of fuel cell-driven forklifts more favorable.

The backlog for Nuvera units was just over 300 BBRs as of March 31, 2018. Nuvera expects demand to continue to increase throughout the year and for its cost base to fall due to substantial cost reductions already secured on future purchases of core components. Nuvera expects to continue to leverage improved designs and higher volumes through its supply chain with further cost reductions expected in 2019. Production is expected to begin at the Lift Truck business' manufacturing plant in Greenville, North Carolina in 2019, with a steady ramp up in demand anticipated. In addition, in that same time frame, BBR manufacturing at Nuvera's Billerica facility is expected to be phased out and transferred to the Lift Truck business.

With the phase out of BBR production in Billerica, Nuvera will focus on the design, manufacture and sales and marketing of fuel cell stacks and engines. In addition to growing demand for BBR engines, Nuvera is experiencing significant interest for its stacks and fuel cell engines for applications outside of the BBR market and believes this could be a significant and profitable growth opportunity. Nuvera and the Lift Truck business were selected to partner with the Center for Transportation and the Environment, which has received a preliminary award from the California Air Resources Board, to demonstrate operations of a Hyster® 1150-CH Top Loader Big Truck using an electrified powertrain and Orion®-based fuel cell engine for the Port of Los Angeles. The contract has been finalized and is expected to be executed shortly. This will be the first demonstration of Nuvera's plan to develop easily integrated, high-power fuel cell engines for use in OEM products.

The Company's current target is to achieve break-even by late 2019, although this target could be achieved earlier or later depending on sales volumes for fuel cell-powered lift trucks, as well as engine sales for other markets. The operating loss in 2018 is expected to decrease compared with 2017, especially in the fourth quarter, and moderate more substantially over 2019. The net loss in 2018 is expected to be comparable to 2017 because a smaller tax benefit is expected to be realized on Nuvera's losses due to a lower effective income tax rate under U.S. tax reform legislation.

## EFFECTS OF FOREIGN CURRENCY

The Company operates internationally and enters into transactions denominated in foreign currencies. As a result, the Company is subject to the variability that arises from exchange rate movements. The effects of foreign currency fluctuations on revenues, operating profit and net income are addressed in the previous discussions of operating results. See also Item 3, "Quantitative and Qualitative Disclosures About Market Risk," in Part I of this Quarterly Report on Form 10-Q.

#### FORWARD-LOOKING STATEMENTS

The statements contained in this Form 10-Q that are not historical facts are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are made subject to certain risks and uncertainties, which could cause actual results to differ materially from those presented. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Among the factors that could cause plans, actions and results to differ materially

Table of Contents

from current expectations are, without limitation: (1) reduction in demand for lift trucks, attachments and related aftermarket parts and service on a global basis, (2) delays in delivery or increases in costs, including transportation costs or the imposition of tariffs, of raw materials or sourced products and labor or changes in or unavailability of quality suppliers, (3) the successful commercialization of Nuvera's technology, (4) the ability of dealers, suppliers and end-users to obtain financing at reasonable rates, or at all, as a result of current economic and market conditions, (5) the political and economic uncertainties in the countries where the Company does business, (6) customer acceptance of pricing, (7) exchange rate fluctuations and monetary policies and other changes in the regulatory climate in the countries in which the Company operates and/or sells products, (8) delays in manufacturing and delivery schedules, (9) bankruptcy of or loss of major dealers, retail customers or suppliers, (10) customer acceptance of, changes in the costs of, or delays in the development of new products, (11) introduction of new products by, or more favorable product pricing offered by, competitors, (12) product liability or other litigation, warranty claims or returns of products, (13) the effectiveness of the cost reduction programs implemented globally, including the successful implementation of procurement and sourcing initiatives, (14) changes mandated by federal, state and other regulation, including tax, health, safety or environmental legislation, (15) unfavorable effects of geopolitical and legislative developments on global operations, including without limitation, the United Kingdom's exit from the European Union, the entry into new trade agreements and the imposition of tariffs and/or economic sanctions, (16) the ability to obtain governmental approvals of the pending Maximal transaction on the proposed terms and schedule, (17) the possibility that certain conditions to the completion of the Maximal transaction will not be met, (18) the possibility that competing offers may be made for Maximal, (19) conditions affecting the industries in which Hyster-Yale or Maximal operate may change, (20) Hyster-Yale may not be able to successfully integrate Maximal's operations and employees, and (21) the possibility that the final impact of the U.S. Tax Cuts and Jobs Act on the 2018 financial results could be more unfavorable than the provisional amount reported in the 2017 fourth quarter financial results.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See pages 34, 35 and F-26 through F-29 of the Company's Annual Report on Form 10-K for the year ended December 31, 2017 for a discussion of the Company's derivative hedging policies and use of financial instruments. There have been no material changes in the Company's market risk exposures since December 31, 2017.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures: An evaluation was carried out under the supervision and with the participation of the Company's management, including the principal executive officer and the principal financial officer, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, these officers have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in internal control over financial reporting: During the first quarter of 2018, there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II  
OTHER INFORMATION

Item 1 Legal Proceedings  
None

Item 1A Risk Factors

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

There have been no material changes from risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 in the Section entitled "Risk Factors."

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3 Defaults Upon Senior Securities

None

Item 4 Mine Safety Disclosures

Not applicable

31

---

Table of Contents

Item 5 Other Information

None

Item 6 Exhibits

The following exhibits are filed as part of this report:

Exhibit

Number\* Description of Exhibits

10.1 First Amendment to Term Loan Credit Agreement, dated as of March 14, 2018, by and among Hyster-Yale Group, Inc., as the Borrower, Hyster-Yale Materials Handling, Inc. and Bank of America, N.A., as Administrative Agent.

10.2 Second Amendment to Amended and Restated Loan, Security and Guaranty Agreement, dated as of March 14, 2018, among Hyster-Yale Materials Handling, Inc. and Hyster-Yale Group, Inc., as U.S. Borrowers, Hyster-Yale Nederland B.V., Hyster-Yale International B.V., Hyster-Yale Holding B.V. and Bolzoni Capital Holding B.V., as Dutch Borrowers, Hyster-Yale UK Limited and Bolzoni Capital UK Limited, as UK Borrowers, any other Borrowers party thereto from time to time and certain Persons party thereto from time to time as Guarantors, certain financial institutions, as Lenders, Bank of America, N.A., as Administrative Agent and Security Trustee is attached hereto.

31(i)(1) Certification of Alfred M. Rankin, Jr. pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act

31(i)(2) Certification of Kenneth C. Schilling pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act

32 Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Alfred M. Rankin, Jr. and Kenneth C. Schilling

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

\* Numbered in accordance with Item 601 of Regulation S-K.

32

---

Table of Contents

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Hyster-Yale Materials Handling, Inc.

Date: May 1, 2018 /s/ Kenneth C. Schilling

Kenneth C. Schilling

Senior Vice President and Chief Financial Officer (principal financial and accounting officer)