

HYSTER-YALE MATERIALS HANDLING, INC.
Form 10-Q
July 31, 2018
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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 June 30, 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

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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 July 27, 2018: 12,668,423

Number of shares of Class B Common Stock outstanding at July 27, 2018: 3,887,245

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

| | JUNE 30 2018 | DECEMBER 31 2017 |
|--|----------------------------------|---------------------|
| | (In millions, except share data) | |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 152.4 | \$ 220.1 |
| Accounts receivable, net | 424.7 | 453.0 |
| Inventories, net | 467.1 | 411.9 |
| Prepaid expenses and other | 56.4 | 46.4 |
| Total Current Assets | 1,100.6 | 1,131.4 |
| Property, Plant and Equipment, Net | 286.8 | 265.4 |
| Intangible Assets, Net | 70.3 | 56.1 |
| Goodwill | 133.3 | 59.1 |
| Deferred Income Taxes | 15.0 | 16.6 |
| Investment in Unconsolidated Affiliates | 63.3 | 81.9 |
| Other Non-current Assets | 40.7 | 37.4 |
| Total Assets | \$ 1,710.0 | \$ 1,647.9 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 432.0 | \$ 385.8 |
| Accounts payable, affiliates | 18.4 | 18.1 |
| Revolving credit facilities | 9.2 | 6.1 |
| Current maturities of long-term debt | 63.5 | 68.4 |
| Accrued payroll | 38.3 | 51.7 |
| Other current liabilities | 169.0 | 162.3 |
| Total Current Liabilities | 730.4 | 692.4 |
| Long-term Debt | 200.4 | 216.2 |
| Self-insurance Liabilities | 31.1 | 33.5 |
| Pension Obligations | 10.3 | 11.1 |
| Deferred Income Taxes | 17.7 | 13.0 |
| Other Long-term Liabilities | 130.2 | 109.3 |
| Total Liabilities | 1,120.1 | 1,075.5 |
| Stockholders' Equity | | |
| Common stock: | | |
| Class A, par value \$0.01 per share, 12,661,611 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, 3,889,579 shares outstanding (2017 - 3,899,503 shares outstanding) | 0.1 | 0.1 |
| Capital in excess of par value | 318.4 | 323.8 |
| Treasury stock | (24.8 |) (31.5 |
| Retained earnings | 403.4 | 389.1 |

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| | | | | |
|--------------------------------------|-----------|---|------------|---|
| Accumulated other comprehensive loss | (139.9 |) | (116.1 |) |
| Total Stockholders' Equity | 557.3 | | 565.5 | |
| Noncontrolling Interests | 32.6 | | 6.9 | |
| Total Equity | 589.9 | | 572.4 | |
| Total Liabilities and Equity | \$1,710.0 | | \$ 1,647.9 | |

See notes to unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | THREE MONTHS ENDED JUNE 30 | | SIX MONTHS ENDED JUNE 30 | |
|---|--------------------------------------|----------|--------------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| | (In millions, except per share data) | | | |
| Revenues | \$765.6 | \$685.5 | \$1,553.8 | \$1,398.6 |
| Cost of sales | 639.4 | 563.8 | 1,295.5 | 1,150.8 |
| Gross Profit | 126.2 | 121.7 | 258.3 | 247.8 |
| Operating Expenses | | | | |
| Selling, general and administrative expenses | 115.4 | 104.2 | 228.3 | 207.7 |
| Operating Profit | 10.8 | 17.5 | 30.0 | 40.1 |
| Other (income) expense | | | | |
| Interest expense | 4.0 | 2.6 | 8.0 | 4.4 |
| Income from unconsolidated affiliates | (2.4) | (1.9) | (5.2) | (4.0) |
| Other | (0.3) | (1.5) | (2.1) | (2.9) |
| | 1.3 | (0.8) | 0.7 | (2.5) |
| Income Before Income Taxes | 9.5 | 18.3 | 29.3 | 42.6 |
| Income tax provision | 3.8 | 1.9 | 8.7 | 8.1 |
| Net Income | 5.7 | 16.4 | 20.6 | 34.5 |
| Net income attributable to noncontrolling interests | (0.1) | — | (0.1) | — |
| Net Income Attributable to Stockholders | \$5.6 | \$16.4 | \$20.5 | \$34.5 |
| Basic Earnings per Share | \$0.34 | \$1.00 | \$1.24 | \$2.10 |
| Diluted Earnings per Share | \$0.34 | \$0.99 | \$1.24 | \$2.09 |
| Dividends per Share | \$0.3100 | \$0.3025 | \$0.6125 | \$0.5975 |
| Basic Weighted Average Shares Outstanding | 16.550 | 16.453 | 16.525 | 16.435 |
| Diluted Weighted Average Shares Outstanding | 16.587 | 16.503 | 16.578 | 16.490 |

See notes to unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| | THREE MONTHS ENDED JUNE 30 2018 | | SIX MONTHS ENDED JUNE 30 2017 | |
|--|---|--------|---|--------|
| | 2018 | 2017 | 2018 | 2017 |
| | (In millions) | | | |
| Net Income | \$5.7 | \$16.4 | \$20.6 | \$34.5 |
| Other comprehensive income (loss) | | | | |
| Foreign currency translation adjustment | (28.2) | 13.0 | (18.4) | 20.5 |
| Unrealized gain on available-for-sale securities | — | 1.4 | — | 1.4 |
| Current period cash flow hedging activity | (16.5) | 2.5 | (3.5) | 7.0 |
| Reclassification of hedging activities into earnings | (2.0) | 0.6 | (1.2) | 0.7 |
| Current period pension adjustment | 0.7 | — | 0.7 | — |
| Reclassification of pension into earnings | 0.7 | 0.7 | 1.4 | 1.4 |
| Comprehensive Income (Loss) | \$(39.6) | \$34.6 | \$(0.4) | \$65.5 |
| Other comprehensive (income) loss attributable to noncontrolling interests | | | | |
| Net income attributable to noncontrolling interests | (0.1) | — | (0.1) | — |
| Foreign currency translation adjustment attributable to noncontrolling interests | 1.3 | (0.1) | 1.1 | (0.4) |
| Comprehensive Income (Loss) Attributable to Stockholders | \$(38.4) | \$34.5 | \$0.6 | \$65.1 |

See notes to unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | SIX MONTHS ENDED JUNE 30 | |
|---|--------------------------------|----------|
| | 2018 | 2017 |
| | (In millions) | |
| Operating Activities | | |
| Net income | \$20.6 | \$34.5 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 20.8 | 21.3 |
| Amortization of deferred financing fees | 0.9 | 0.6 |
| Deferred income taxes | 2.5 | (1.1) |
| Stock-based compensation | 1.9 | 3.7 |
| Dividends from unconsolidated affiliates | 22.2 | 2.8 |
| Other non-current liabilities | (2.6) | (4.5) |
| Other | 3.7 | 1.3 |
| Working capital changes, excluding the effect of business acquisitions: | | |
| Accounts receivable | 38.2 | 1.7 |
| Inventories | (48.2) | (19.1) |
| Other current assets | (6.3) | 0.9 |
| Accounts payable | 18.7 | 103.9 |
| Other current liabilities | (20.4) | (5.7) |
| Net cash provided by operating activities | 52.0 | 140.3 |
| Investing Activities | | |
| Expenditures for property, plant and equipment | (16.0) | (16.9) |
| Proceeds from the sale of assets | 0.8 | 0.8 |
| Investments in equity securities | — | (5.6) |
| Business acquisitions, net of cash acquired | (74.3) | (1.0) |
| Net cash used for investing activities | (89.5) | (22.7) |
| Financing Activities | | |
| Additions to long-term debt | 16.8 | 236.3 |
| Reductions of long-term debt | (34.6) | (31.7) |
| Net change to revolving credit agreements | 3.3 | (113.4) |
| Cash dividends paid | (10.1) | (9.9) |
| Cash dividends paid to noncontrolling interest | (0.3) | (0.2) |
| Financing fees paid | (0.6) | (5.0) |
| Purchase of treasury stock | (0.6) | — |
| Other | — | (0.1) |
| Net cash provided by (used for) financing activities | (26.1) | 76.0 |
| Effect of exchange rate changes on cash | (4.1) | 3.1 |
| Cash and Cash Equivalents | | |
| Increase (decrease) for the period | (67.7) | 196.7 |
| Balance at the beginning of the period | 220.1 | 43.2 |
| Balance at the end of the period | \$152.4 | \$239.9 |

See notes to unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Class | | Treasury Stock | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | | | | Total Stockholders' Equity | Noncontrolling Interests | Total Equity |
|--|---------------|-------|-------------------|--|----------------------|--|---|--|-----------------------|----------------------------------|-----------------------------|-----------------|
| | A | B | | | | Foreign Currency Translation Adjustment | Deferred Gain on AFS Securities | Deferred Gain (Loss) on Cash Flow Hedging | Pension Adjustment | | | |
| | (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 | — | — | — | 3.7 | — | — | — | — | — | 3.7 | — | 3.7 |
| Stock issued under stock compensation plans | — | — | 4.7 | (4.7) | — | — | — | — | — | — | — | — |
| Net income | — | — | — | — | 34.5 | — | — | — | — | 34.5 | — | 34.5 |
| Cash dividends | — | — | — | — | (9.9) | — | — | — | — | (9.9) | (0.2) | (10.1) |
| Current period other comprehensive income | — | — | — | — | — | 20.5 | 1.4 | 7.0 | — | 28.9 | — | 28.9 |
| Reclassification adjustment to net income | — | — | — | — | — | — | — | 0.7 | 1.4 | 2.1 | — | 2.1 |
| Acquisition of a business | — | — | — | — | — | — | — | — | — | — | 0.3 | 0.3 |
| Foreign currency translation on noncontrolling interest | — | — | — | — | — | — | — | — | — | — | 0.4 | 0.4 |
| Balance, June 30, 2017 | \$0.1 | \$0.1 | \$(32.2) | \$318.6 | \$384.9 | \$(71.5) | \$1.4 | \$(4.5) | \$(73.8) | \$523.1 | \$7.1 | \$530.2 |
| 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 of change in accounting | — | — | — | — | 3.9 | — | (2.8) | — | — | 1.1 | — | 1.1 |
| Stock-based compensation | — | — | — | 1.9 | — | — | — | — | — | 1.9 | — | 1.9 |
| Stock issued under stock | — | — | 7.3 | (7.3) | — | — | — | — | — | — | — | — |

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| | | | | | | | | | | | | |
|---|-------|-------|----------|---------|---------|----------|-----|---------|----------|---------|--------|---------|
| compensation plans | | | | | | | | | | | | |
| Purchase of treasury stock | — | — | (0.6) | — | — | — | — | — | — | (0.6) | — | (0.6) |
| Net income | — | — | — | — | 20.5 | — | — | — | — | 20.5 | 0.1 | 20.6 |
| Cash dividends | — | — | — | — | (10.1) | — | — | — | — | (10.1) | (0.3) | (10.4) |
| Current period other comprehensive income | — | — | — | — | — | (18.4) | — | (3.5) | 0.7 | (21.2) | — | (21.2) |
| Reclassification adjustment to net income | — | — | — | — | — | — | — | (1.2) | 1.4 | 0.2 | — | 0.2 |
| Acquisition of business | — | — | — | — | — | — | — | — | — | — | 27.0 | 27.0 |
| Foreign currency translation on noncontrolling interest | — | — | — | — | — | — | — | — | — | — | (1.1) | (1.1) |
| Balance, June 30, 2018 | \$0.1 | \$0.1 | \$(24.8) | \$318.4 | \$403.4 | \$(76.9) | \$— | \$(6.2) | \$(56.8) | \$557.3 | \$ | |