Horizon Global Corp
Form 10-K
March 10, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Form 10-K
(Mark One)

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

For the fiscal year ended December 31, 2016
Or

o	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 001-37427

HORIZON GLOBAL CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	47-3574483 (IRS Employer Identification No.)

2600 W. Big Beaver Road, Suite 555
Troy, Michigan 48084
(Address of Principal Executive Offices, Including Zip Code)
(248) 593-8820
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on Which Registered:
Common stock, $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 x No o

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large Accelerated Filer o	Accelerated Filer x	Non-accelerated Filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the common stock held by non-affiliates of the Registrant as of June 30, 2016 was approximately $209.9 million, based upon the closing sales price of the Registrant's common stock, $0.01 par value, reported for such date on the New York Stock Exchange. For purposes of this calculation only, directors and executive officers are deemed to be affiliates of the Registrant.

As of March 7, 2017, the number of outstanding shares of the Registrant's common stock, $0.01 par value, was 25,536,680 shares.

Portions of the Registrant's Proxy Statement for the 2017 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein.

Horizon Global Corporation
Index

		Forward-Looking Statements	3
Part I.			
	Item 1.	Business	4
	Item 1A.	Risk Factors	11
	Item 1B.	Unresolved Staff Comments	20
	Item 2.	Properties	20
	Item 3.	Legal Proceedings	20
	Item 4.	Mine Safety Disclosures	21
	Supplementary Item.	Executive Officers of the Company	21
Part II.			
	Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	22
	Item 6.	Selected Financial Data	24
	Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	25
	Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	39
	Item 8.	Financial Statements and Supplementary Data	40
	Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	73
	Item 9A.	Controls and Procedures	73
	Item 9B.	Other Information	73
Part III.			
	Item 10.	Directors, Executive Officers and Corporate Governance	74
	Item 11.	Executive Compensation	74
	Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	92
	Item 13.	Certain Relationships and Related Transactions, and Director Independence	92
	Item 14.	Principal Accountant Fees and Services	92
Part IV.			
	Item 15.	Exhibits and Financial Statement Schedules	93
	Item 16.	Form 10-K Summary	94
	Signatures		95
	Exhibit Index		II-1

Table of Contents

Forward-Looking Statements

This Annual Report on Form 10-K may contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements speak only as of the date they are made and give our current expectations or forecasts of future events. These forward-looking statements can be identified by the use of forward-looking words, such as "may," "could," "should," "estimate," "project," "forecast," "intend," "expect," "anticipate," "believe," "target," "plan" or other comparable words, or by discussions of strategy that may involve risks and uncertainties.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties which could materially affect our business, financial condition or future results including, but not limited to, risks and uncertainties with respect to: the Company's integration of the Westfalia Group (defined herein); leverage; liabilities imposed by the Company's debt instruments; market demand; competitive factors; supply constraints; material and energy costs; technology factors; litigation; government and regulatory actions; the Company's accounting policies; future trends; general economic and currency conditions; various conditions specific to the Company's business and industry; and other risks that are discussed in, Part I, Item 1A, "Risk Factors." The risks described in this Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deemed to be immaterial also may materially adversely affect our business, financial position and results of operations or cash flows.

The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We caution readers not to place undo reliance on the statements, which speak only as of the date of this Annual Report on Form 10-K. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statement to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events, except as otherwise required by law.

We disclose important factors that could cause our actual results to differ materially from our expectations implied by our forward-looking statements under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this Annual Report on Form 10-K. These cautionary statements qualify all forward-looking statements attributed to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, we mean to include effects upon our business, financial and other conditions, results of operations, prospects and ability to service our debt.

PART I

Item 1. Business

Overview

Horizon Global Corporation, which we refer to herein as "Horizon," "Horizon Global," "we" or the "Company," became an independent, publicly traded company as the result of a spin-off, which we refer to herein as the “spin-off,” from TriMas Corporation, or “TriMas,” on June 30, 2015.

We are a leading designer, manufacturer and distributor of a wide variety of high-quality, custom-engineered towing, trailering, cargo management and other related accessory products on a global basis, serving the automotive aftermarket, retail and original equipment, or “OE,” channels.

In the fourth quarter of 2016, as a result of the Westfalia Group acquisition, the Company realigned its executive management structure, which changed the information used by our chief operating decision maker to assess performance and allocate resources. As a result, we report the results of our business in three reportable segments: Horizon Americas, Horizon Asia Pacific, and Horizon Europe Africa. We have recast prior period amounts to conform to the way we currently manage and monitor segment performance under the new segments.

Horizon Americas has historically operated primarily in North America, and we believe has been a leader in towing and trailering-related products sold through retail, aftermarket, OE and e-commerce channels. In recent years, Horizon Americas expanded its geographic footprint into the South American market. Horizon Asia Pacific and Horizon Europe Africa focus their sales and manufacturing efforts outside of North and South America, historically operating primarily in Australia and Europe, respectively, and we believe have been leaders in towing related products sold through the OE and aftermarket channels. We have expanded our geographic footprint into New Zealand, Thailand, the United Kingdom, and South Africa. We are in the early stages of our development in these additional markets, initially focusing primarily on supporting OE customers.

Our products are used in two primary categories across the world: commercial applications, or “Work,” and recreational activities, or “Play.” Some of the markets in our Work category include agricultural, automotive, construction, fleet, industrial, marine, military, mining and municipalities. Some of the markets in our Play category include equestrian, power sports, recreational vehicle, specialty automotive, truck accessory and other specialty towing applications. We believe that the primary brands we offer are among the most recognized in the markets we serve and are known for quality, safety and performance. Our products reach end consumers through many avenues, including independent retailers, warehouse distributors, dealers, OE, retail stores and online retailers.

We believe no individual competitor serving the channels we participate in can match our broad product portfolio, which we categorize into the following four groups:

Towing: This product category includes devices and accessories installed on a tow-vehicle for the purpose of attaching a trailer, camper, etc. such as hitches, fifth wheels, gooseneck hitches, weight distribution systems, wiring harnesses, draw bars, ball mounts, crossbars, towbars, security and other towing accessories;

Trailering: This product category includes control devices and components of the trailer itself such as brake controls, jacks, winches, couplers, interior and exterior vehicle lighting and brake replacement parts;

Cargo Management: This product category includes a wide variety of products used to facilitate the transportation of various forms of cargo, to secure that cargo or to organize items. Examples of these products are bike racks, roof cross bar systems, cargo carriers, luggage boxes, car interior protective products, rope, tie-downs, tarps, tarp straps, bungee cords, loading ramps and interior travel organizers; and

Other: This product category includes a diverse range of items in our portfolio that do not fit into any of the previous three main categories. Items in this category include tubular push bars, side steps, sports bars, skid plates, oil pans and commercial brooms and brushes.

We have positioned our product portfolio to create a variety of options based on price-point, ranging from entry-level to premium-level products across most of our markets. We believe the brands we offer in our aftermarket channel have significant customer recognition, with the four most significant being Reese®, Hayman-Reese™, Draw-Tite® and

Westfalia®. We believe all four have substantial market share and have been leading brands in the towing market for over 50 years. These brands provide the foundation of our market position based on worldwide commercial and consumer acceptance. We also maintain a collection of

Table of Contents

regionally recognized brands that include Aqua Clear™, Bulldog®, BTM, DHF, Engetran, Fulton®, Harper®, Kovil, Laitner™, Parkside®, Reese Secure™, Reese Explorer™, Reese Power Sports, Reese Towpower™, ROLA®, Tekonsha®, Trojan®, WesBarg® and Witter Towbar Systems. In addition to these product brands, we historically marketed our products to our OE customers in Australia, and more recently in North America, under the name TriMotive.

For information pertaining to net sales and operating profit attributed to our reportable segments, refer to Note 16, "Segment Information," included in Item 8, "Financial Statements and Supplementary Data," within this Annual Report on Form 10-K.

Our Industry

Our products are sold into a diverse set of end-markets; the primary applications relate to automotive accessories for light and recreational vehicles. Purchases of automotive accessory parts are discretionary and we believe demand is driven by macro-economic factors including (i) employment trends, (ii) consumer sentiment and (iii) fuel prices, among others.

We believe all of these metrics impact both our Work- and Play-related sales. In addition, we believe the Play-related sales are more sensitive to changes in these indices, given the Play-related sales tend to be more directly related to disposable income levels. In general, recent decreases in unemployment and fuel prices, coupled with increases in consumer sentiment, are positive trends for our businesses.

Aftermarket and Retail Channels

We sell our products in the aftermarket and retail channels to a wide range of customers, including distributors, automotive retail stores, non-automotive retailers, installers and mass merchants. More recent trends in the aftermarket and retail channels include:

Channel Consolidation: In the more mature market of the United States, there has been increasing consolidation in distribution networks with larger, more sophisticated aftermarket distributors and retailers gaining market share. In kind, these distributors generally require larger, more sophisticated suppliers with product expertise, category management and supply chain services and capabilities, as well as a global manufacturing and services footprint. We provide customers in this category the opportunity to rationalize their supply base of vendors in our product lines by virtue of our broad offering and product expertise; and

Growth of Online Capabilities: Reaching consumers directly through online capabilities, including e-commerce, is having an increasing impact on the global automotive aftermarket and retail channels. Establishment of a robust online presence is critical for suppliers regardless of whether or not they participate directly in e-commerce. We believe we are positioned well to take advantage of this continuing trend, given our established online presence. We support consumers by offering a wide range of information on our products and services, including installation videos, custom-fit guides and links to authorized dealers, both brick and mortar and e-commerce.

OE Channels

While OE demand is typically driven by planned vehicle production, suppliers also grow by increasing their product content per vehicle through sales of existing product lines or expansion into new product line offerings. Given the consolidation and globalization throughout the automotive industry, suppliers combining a global presence with strong engineering, technology, manufacturing, supply chain and customer support will be best positioned to take advantage of OE business opportunities.

More recent trends in the global OE supplier market include:

Global Platform/Supplier Consolidation: OEs are adopting global vehicle platforms to decrease product development costs and increase manufacturing efficiency and profitability. As a result, OEs are selecting suppliers that have the capacity to manufacture and deliver products on a worldwide basis as well as the flexibility to adapt products to local variations.

Table of Contents

Suppliers with a global supply chain and efficient manufacturing capabilities are best positioned to benefit from this trend. We believe we are uniquely positioned to take advantage of this trend as a result of our global manufacturing footprint, highly developed supply chain relationships and track record of success in solving application challenges in our product lines;

Outsourcing of Design and Manufacturing of Vehicle Parts and Systems: OEs continually strive to simplify their assembly processes, lower costs and reduce development times. As a result, they have increasingly relied on suppliers to perform many of the design, engineering, research and development and assembly functions traditionally performed by OEs. Suppliers with extensive design and engineering capabilities are in the best position to benefit from this trend as they are able to offer OEs value-added solutions with superior features and convenience. We believe certain OEs have sought us out to assist with their engineering challenges to increase towing capacity and for the many solutions provided by our existing products; and

Shorter Product Development Cycles: Due to frequent shifts in government regulations and customer preferences, OEs are requiring suppliers to continue to provide new designs and product innovations. These trends are prevalent in mature markets as well as, emerging markets, which are advancing rapidly towards the regulatory standards and consumer preferences of the more mature markets. Suppliers with strong technologies, robust global engineering and development capabilities are best positioned to meet OE demands for rapid innovation. Our global engineering footprint and exposure to vehicles early in the development cycle enables a responsive solution to changing customer needs and facilitates the rapid deployment of the solution across the global launch of the customer's platform.

Competitive Strengths

We believe our reportable segments share and benefit from the following competitive strengths:

Diverse Product Portfolio of Market Leading Brands. We believe we benefit from a diverse portfolio of high-quality and highly-engineered products sold under globally recognized and market leading brand names. By offering a wide range of products, we are able to provide a complete solution to satisfy our customers' towing, trailering and cargo management needs, as well as serve diverse channels through effective brand management. Our brands are well-known in their respective product areas and channels. We believe that we are the leading supplier of towing products and among the leading suppliers of trailering products globally.

Global Scale with Flexible Manufacturing Footprint and Supply Chain. We were built through internal growth and a series of acquisitions to become the only truly global automotive accessories company with the products we offer. We have the ability to produce low-volume, customized, quick-turn products in our global manufacturing facilities, while our sourcing arrangements with third-party suppliers provide us with the flexibility to manufacture or source high-volume products as end-market demand fluctuates. Our flexible manufacturing capability, low-cost manufacturing facilities and established supply chain allow us to more quickly and efficiently respond to changes in end-market demand.

Long-Term Relationships with a Diverse Customer Base. Our customers encompass a broad range of OEs, mass merchants, e-commerce websites, distributors, dealers, and independent installers, representing multiple channels to reaching the end consumer. Blue chip customers include Wal-Mart, Ford Motor Company, FCA, Volkswagen, BMW, Mercedes-Benz, AutoZone, Amazon, Toyota, Canadian Tire, LKQ, U-Haul, Home Depot and Etrailer, among others. Our customer relationships are well established, with many exceeding 20 years. These strong partnerships can provide stability to our revenue base through economic cycles. We believe Horizon's diverse product portfolio, global scale and flexible manufacturing capabilities enable us to provide a unique value proposition to customers.

Globally Competitive Cost Structure. Since becoming an independent public company, we have focused on margin improvement activities, identifying and acting on projects to reduce our cost structure. With focused, identifiable projects well under way or complete, we believe we will benefit from improved operating margins and cash flow that can then be deployed to high-value creation activities. The combination of our strong brand names, leading market position, flexible manufacturing and sourcing operations have historically resulted in significant cash flow generation.

Table of Contents

Experienced Management Team. Our management team is led by our Chief Executive Officer, Mark Zeffiro, who was a senior executive at TriMas for over seven years and has more than 25 years of financial, operational and business leadership experience with companies such as Black & Decker and General Electric Company. David Rice, our Chief Financial Officer, joined TriMas in 2005 and brings more than 30 years of financial, audit and leadership experience to the role. David was previously division finance officer of Cequent Performance Products. John Aleva, President of Horizon Americas, has nearly 30 years of experience in automotive aftermarket, retail and OE, and has been with Horizon for over 11 years. The leadership team of Horizon Asia Pacific includes Jason Kieseker, who joined the Horizon business in 2001 and has held various leadership roles within our Horizon Asia Pacific business. The leadership team of Horizon Europe Africa includes Paul Caruso, who has over 30 years of experience in a variety of roles within the industrial and automotive markets.

Key Business Priorities

Horizon Global established three strategic platforms for value creation focused on business improvement and transformation, supported by a company culture of continuous improvement.

Margin Expansion. Our first priority is to drive the organization to a 10% operating margin level within our strategic planning period. We believe the investments made in new and upgraded facilities and equipment over the past few years should provide the foundation, without significant additional investment, for additional margin expansion. We are developing an organization in which all team members are focused on constantly improving the efficiency of all operations through the adoption of lean and continuous improvement practices.

Capital Structure. Our second priority is to improve our capital structure. Our net leverage ratio, as defined in certain of the agreements covering our indebtedness, at December 31, 2016 was approximately 3.6 times. The common stock offering and convertible notes offering executed in 2017 subsequently lowered our leverage ratio. Refer to Note 19, "Subsequent Events" in Item 8, "Financial Statements and Supplementary Data," included within this Annual Report on Form 10-K for additional information. Our long-term net leverage ratio target is less than 2 times. We aim to accomplish this goal through both margin improvement as well as paying down our fixed obligations, and should we decide to do so, we have a structure in place that allows us to prepay debt in addition to the amortization required under our term debt.

Organic Growth. Our third priority is to grow the business 3% to 5% on an organic basis, annually. We have identified five broad areas of focused growth activities, involving geographic markets and sales channels, which we believe are particularly aligned with our competitive strengths.

Growth Strategies

Prior to becoming an independent public company, Horizon operated on a regional basis under separate management teams, with independent business decisions and resource allocations made by the Horizon Americas, Horizon Asia Pacific and Horizon Europe Africa leaders. As a public company, we are reorganizing our global operations to operate as a single combined entity. As a result, we believe that we have multiple opportunities to integrate, improve and grow our business, whether via organic initiatives or via acquisitions of new products or in new geographies, through the following strategies:

Original Equipment. The global market for accessories and vehicle personalization is increasing and automotive manufacturers are looking for suppliers to partner with to create genuine accessories to meet this need. Historically, this has been a regional effort, but the growth of global OE has increased the need for global suppliers. Our geographic footprint, existing customer relationships and the increase in global vehicle platforms align to present us with unique opportunities to grow with our OE customers.

E-commerce. We intend to leverage the breadth of our product portfolio and global manufacturing footprint to expand our presence in the high growth e-commerce channel. This strategy is applicable in our developed markets where a focus on content delivery and customer support drive growth. It is also a powerful tool as we look at developing new, less mature markets around the world, enabling a direct connection with the users of our product set.

Latin American Markets. Since entering the Latin American market, we have witnessed a desire to accessorize vehicles among new entrants to the middle class. We expanded our global footprint and product portfolio in Brazil by

acquiring DHF Soluções Automotivas Ltda and Engetran Engenharia, Indústria, e Comércio de Peças e Acessórios Veiculares Ltda, respectively, which are reported under Horizon Americas. We believe these expansions into new geographies provide opportunities for growth, while supporting both new and existing global customers.

Table of Contents

Chinese Market. China is in the early stages of adoption for towing and trailering products. As this adoption rate increases, there is an opportunity for us to bring our experience in the safe use of these products into the market in a meaningful capacity. The rapidly growing middle class, in concert with a developing interest in an outdoor recreational lifestyle, is expected to result in incremental demand for our automotive aftermarket products and accessories. We intend to leverage our existing relationships with global OEs and our global manufacturing and distribution network to expand our sales in this developing economy.

Product Innovation. Our focus in multi-generational product planning is to formalize the process by which we integrate the feedback and needs of users into our product development engine. We look to move beyond simply responding to the feedback that we receive, to anticipating the functionality future products need to possess to enrich the lives of our users.

Marketing, Customers and Distribution

Horizon employs a dedicated sales force in each of our primary channels. In serving our customers globally, we rely upon our strong historical customer relationships, custom engineering capability, brand recognition, broad product offerings, our established distribution network and varied merchandising strategies to bolster our towing, trailering, cargo management and accessory product sales. Significant Horizon customers include Ford Motor Company, Toyota and General Motors/Holden in the OE channel; Wal-Mart, AutoZone and Super Retail Group in the retail channel; and LKQ, U-Haul and the Proex Group in the aftermarket channel. No customer represented greater than 10% of total revenue during the years ended December 31, 2016, 2015 or 2014.

Competition

The competitive environment for automotive accessory products is highly fragmented and is characterized by numerous smaller suppliers, even the largest of which tend to focus in narrow product categories. We believe there is no individual competitor that has the breadth of product portfolio on a global basis in the markets we serve. Significant towing competitors include Curt Manufacturing, B&W Trailer Hitches, The Bosal Group, Brink, Buyers Products Company, Demco Products, PullRite, Westin Automotive Products and Camco. Significant trailering competitors include Pacific Rim, Dutton-Lainson, Shelby, Ultra-Fab, Sea-Sense and Atwood. In addition, competition in the cargo management product category primarily comes from Thule, Yakima, Bell, Masterlock and Saris.

Acquisition Strategy

We believe that our businesses have significant opportunities to grow through disciplined strategic acquisitions. We typically seek bolt-on acquisitions, in which we acquire another industry participant or adjacent product lines that enhance the strengths of our core businesses. When evaluating acquisition targets, we look for opportunities to expand our existing product offerings, gain access to new customers and end markets, add new early life cycle technologies, as well as add additional distribution channels, expand our geographic footprint and/or capitalize on scale and cost efficiencies.

Westfalia Acquisition

On October 4, 2016, we completed our previously announced acquisition of Westfalia-Automotive Holding GmbH and TeIJs Holding B.V., which we refer to collectively as the “Westfalia Group" or "Westfalia”. Pursuant to the purchase agreement, we acquired all of the outstanding equity interests of the Westfalia Group for cash consideration of approximately $99.2 million and the issuance to certain of the sellers of 2,704,310 shares of our common stock in a transaction exempt from registration requirements of the Securities Act of 1933, or the “Securities Act.” We funded the cash payment, as well as the repayment of certain of the Westfalia Group’s debt, through a combination of cash on hand and $152.0 million of incremental borrowings under our Term B Loan.

The Westfalia Group is a leading global towing company. Headquartered in Rheda-Wiedenbrück, Germany, with operating facilities in 11 countries, it manufactures towing and trailering products, including more than 1,700 different types of towbars, wiring kits and carrier systems for cars and light utility vehicles. It holds in excess of 300 issued patents and published patent applications protecting its unique line of towing and trailering products. The brands under which it markets its products include Westfalia, Terwa and Siarr.

The acquisition of the Westfalia Group positions us as a leading manufacturer of towing and trailering equipment in Europe and further complements our broad portfolio. We believe the acquisition will expand our opportunities for revenue and margin growth, increase our market share and augment our global OE footprint with access to new markets and customers.

Table of Contents

Materials and Supply Arrangements

We are sensitive to price movements in our raw materials supply base. Our largest material purchases are for steel, copper, and aluminum. We also consume a significant amount of energy via utilities in our facilities. Historically, when we have experienced increasing costs of steel, we have successfully worked with our suppliers to manage cost pressures and disruptions in supply. Price increases used to offset inflation or a disruption of supply in core materials have generally been successful, although sometimes delayed. Increases in price for these purposes represent a risk in execution.

Employees and Labor Relations

As of December 31, 2016, we employed approximately 4,250 people, of which approximately 13% were located in the United States. In the United States, we have no collective bargaining agreements. Employee relations have generally been satisfactory.

On July 21, 2015, we announced the decision to close our manufacturing facility in Ciudad Juarez, Mexico along with our distribution warehouse in El Paso, Texas, within our Horizon Americas segment, impacting approximately 214 hourly and 47 salaried employees. During the second quarter of 2016, we vacated the El Paso, Texas and Juarez, Mexico sites.

Seasonality and Backlog

We experience some seasonality in our business. Sales of towing and trailering products in the northern hemisphere, where we generate the majority of our sales, are generally stronger in the second and third calendar quarters, as trailer OEs, distributors and retailers acquire product for the spring and summer selling seasons. Our growing businesses in the southern hemisphere are stronger in the first and fourth calendar quarters. We do not consider order backlog to be a material factor in our businesses.

Environmental Matters

We are subject to increasingly stringent environmental laws and regulations, including those relating to air emissions, wastewater discharges and chemical and hazardous waste management and disposal. Some of these environmental laws hold owners or operators of land or businesses liable for their own and for previous owners' or operators' releases of hazardous or toxic substances or wastes. Other environmental laws and regulations require the obtainment and compliance with environmental permits. To date, costs of complying with environmental, health and safety requirements have not been material. However, the nature of our operations and our long history of industrial activities at certain of our current or former facilities, as well as those acquired, could potentially result in material environmental liabilities.

While we must comply with existing and pending climate change legislation, regulation and international treaties or accords, current laws and regulations have not had a material impact on our business, capital expenditures or financial position. Future events, including those relating to climate change or greenhouse gas regulation could require us to incur expenses related to the modification or curtailment of operations, installation of pollution control equipment or investigation and cleanup of contaminated sites.

Intangible Assets

Our identified intangible assets, consisting of customer relationships, trademarks and trade names and technology, are recorded at approximately $86.7 million as of December 31, 2016, net of accumulated amortization. The valuation of each of our identified intangibles was performed using broadly accepted valuation methodologies and techniques.

Customer Relationships. We have developed and maintained stable, long-term selling relationships with customer groups for specific branded products and/or focused market product offerings within each of our businesses. Useful lives assigned to customer relationship intangibles range from 5 to 25 years and have been estimated using historic customer retention and turnover data. Other factors considered in evaluating estimated useful lives include the diverse nature of focused markets and products of which we have significant share, how customers in these markets make purchases and these customers' position in the supply chain. We also monitor and evaluate the impact of other evolving risks including the threat of lower cost competitors and evolving technology.

9

Table of Contents

Trademarks and Trade Names. Each of our operating groups designs and manufactures products for focused markets under various trade names and trademarks. Our trademark/trade name intangibles are well-established and considered long-lived assets that require maintenance through advertising and promotion expenditures. Because it is our practice and intent to maintain and to continue to support, develop and market these trademarks/trade names for the foreseeable future, we consider our rights in these trademarks/trade names to have an indefinite life, except as otherwise dictated by applicable law. During the second quarter of 2016, we made a decision to simplify our brand offering in the Horizon Americas segment. This resulted in the impairment of trade names with an aggregate carrying value of $2.4 million. During the fourth quarter of 2016, we performed our annual assessment of indefinite-lived intangible assets. Based on this assessment, we determined that certain trade names with an aggregate carrying value of $6.9 million were impaired. This resulted in impairment charges of $6.2 million. For additional information, refer to Note 6, "Goodwill and Other Intangible Assets," included in Item 8, "Financial Statements and Supplementary Data," within this Annual Report on Form 10-K.

Technology. We hold a number of U.S. and foreign patents, patent applications, and proprietary product and process-oriented technologies. We have, and will continue to dedicate, technical resources toward the further development of our products and processes in order to maintain our competitive position in the industrial, commercial and consumer end markets that we serve. Estimated useful lives for our technology intangibles range from 3 to 15 years and are determined in part by any legal, regulatory or contractual provisions that limit useful life. Other factors considered include the expected use of the technology by the operating groups, the expected useful life of the product and/or product programs to which the technology relates, and the rate of technology adoption by the industry.

International Operations

Approximately 34.0% of our net sales for the year ended December 31, 2016 were derived outside of the United States. We may significantly expand our international operations through organic growth and acquisitions. In addition, approximately 95.0% of our total net fixed assets as of December 31, 2016 were located outside of the United States. We operate manufacturing facilities in Australia, Brazil, France, Germany, Romania, Mexico, New Zealand, South Africa, Thailand, and the United Kingdom. For information pertaining to the net sales and total assets attributed to our international operations, refer to Note 16, "Segment Information," included in Item 8, "Financial Statements and Supplementary Data," within this Annual Report on Form 10-K.

Website Access to Company Reports

We use our Investor Relations website, www.horizonglobal.com, as a channel for routine distribution of important information, including news releases, analyst presentations and financial information. We post filings as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC, including our annual, quarterly, and current reports on Forms 10-K, 10-Q and 8-K, our proxy statements and any amendments to those reports or statements. All such postings and filings are available on our Investor Relations website free of charge. The SEC also maintains a website, www.sec.gov, that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The content on any website referred to in this Annual Report on Form 10-K is not incorporated by reference into this Annual Report on Form 10-K unless expressly noted.

Table of Contents

Item 1A. Risk Factors

You should carefully consider each of the risks described below, together with information included elsewhere in this Annual Report on Form 10-K and other documents we file with the SEC. The risks that are highlighted below are not the only ones that we face. Some of our risks relate principally to our business and the industry in which we operate, while others relate principally to our spin-off from TriMas, to the securities markets in general and ownership of our common stock. If any of the following risks actually occur, our business, financial condition or results of operations could be negatively affected.

Risks Relating to our Business and our Industry

Our businesses depend upon general economic conditions and we serve some customers in highly cyclical industries; as such, we may be subject to the loss of sales and margins due to an economic downturn or recession.

Our financial performance depends, in large part, on conditions in the markets that we serve in both the U.S. and global economies. Some of the industries that we serve are highly cyclical, such as the agricultural, automotive, construction, horse/livestock, industrial, marine, military, recreational, trailer and utility markets. We may experience a reduction in sales and margins as a result of a downturn in economic conditions or other macroeconomic factors. Lower demand for our products may also negatively affect the capacity utilization of our production facilities, which may further reduce our operating margins.

Many of the markets we serve are highly competitive, which could limit the volume of products that we sell and reduce our operating margins.

Many of our products are sold in competitive markets. We believe that the principal points of competition in our markets are product quality and price, design and engineering capabilities, product development, conformity to customer specifications, reliability and timeliness of delivery, customer service and effectiveness of distribution. Maintaining and improving our competitive position will require continued investment by us in manufacturing, engineering, quality standards, marketing, customer service and support of our distribution networks. We may have insufficient resources in the future to continue to make such investments and, even if we make such investments, we may not be able to maintain or improve our competitive position. We also face the risk of lower-cost foreign manufacturers located in China, Southeast Asia, India and other regions competing in the markets for our products, and we may be driven as a consequence of this competition to increase our investment overseas. Making overseas investments can be highly complicated and we may not always realize the advantages we anticipate from any such investments. Competitive pressure may limit the volume of products that we sell and reduce our operating margins.

We may be unable to successfully implement our business strategies. Our ability to realize our business strategies may be limited.

Our businesses operate in relatively mature industries and it may be difficult to successfully pursue our growth strategies and realize material benefits therefrom. Even if we are successful, other risks attendant to our businesses and the economy generally may substantially or entirely eliminate the benefits.

We may not achieve our strategic goals for margin expansion, capital structure improvement and organic growth; our past performance in these areas may not be indicative of future performance. Failure to achieve our strategic goals may adversely impact our results of operations.

Our strategic platforms for value creation and goals for margin expansion, capital structure improvement and organic growth are subject to risk and uncertainty and depend on general economic, credit, capital market and other conditions that are beyond our control and are subject to fluctuation. Our past performance with respect to margin expansion, capital structure improvement and organic growth, both before and after the spin-off, should be considered independent from, and may not be a reliable indicator of, future performance. These strategic goals may need to be revised or may not be met for a number of reasons, including changes in general economic conditions in the United States and abroad, changes in credit and capital market conditions, increased competition in the markets for our products, increases in raw material or energy costs and changes in technology and manufacturing techniques.

Increases in our raw material or energy costs or the loss of critical suppliers could adversely affect our profitability and other financial results.

We are sensitive to price movements in our raw materials supply base. Our largest material purchases are for steel, copper and aluminum. The prices for these products have historically been volatile, fluctuate with market conditions and may increase as a result of various factors, including: a reduction in the number of suppliers due to restructurings, bankruptcies and consolidations, declining supply due to mine or mill closures and other factors that adversely impact supplier profitability, including increases in supplier operating expenses caused by rising raw material and energy costs. We may be unable to completely offset the impact with price increases on a timely basis due to outstanding commitments to our customers, competitive considerations or our customers' resistance to accepting such price increases and our financial performance may be adversely impacted by further price

increases. A failure by our suppliers to continue to supply us with certain raw materials or component parts on commercially reasonable terms, or at all, could have a material adverse effect on us. To the extent there are energy supply disruptions or material fluctuations in energy costs, our margins could be materially adversely impacted.

Our products are typically highly engineered or customer-driven and we are subject to risks associated with changing technology and manufacturing techniques that could place us at a competitive disadvantage.

We believe that our customers rigorously evaluate their suppliers on the basis of product quality, price competitiveness, technical expertise and development capability, new product innovation, reliability and timeliness of delivery, product design capability, manufacturing expertise, operational flexibility, customer service and overall management. Our success depends on our ability to continue to meet our customers' changing expectations with respect to these criteria. We anticipate that we will remain committed to product research and development, advanced manufacturing techniques and service to remain competitive, which entails significant costs. We may be unable to address technological advances, implement new and more cost-effective manufacturing techniques, or introduce new or improved products, whether in existing or new markets, so as to maintain our businesses' competitive positions or to grow our businesses as desired.

We depend on the services of key individuals and relationships, the loss of which could materially harm us.

Our success will depend, in part, on the efforts of our senior management, including our Chief Executive Officer. Our future success will also depend on, among other factors, our ability to attract and retain other qualified personnel. The loss of the services of any of our key employees or the failure to attract or retain employees could have a material adverse effect on us.

A future impairment of our intangible assets or goodwill could have a material negative impact on our financial results.

At December 31, 2016, our intangible assets and goodwill were approximately $86.7 million and $120.2 million, respectively. Intangibles and goodwill each represented approximately 14% and 20% of our total assets, respectively. If we experience declines in sales and operating profit or do not meet our current and forecasted operating budget, we may be subject to future impairment charges. Because of the significance of these assets, any future impairment could have a material adverse effect on our financial results.

If we are unable to systematically consolidate our brand names it may impair our related intangible assets, which could have a material negative impact on our financial results.

We are currently in the process of simplifying our brand portfolio to reduce complexity and increase margins. If we are unable to successfully consolidate our brands we may be required to record impairment charges related to our related intangible assets.

We may face liability associated with the use of products for which patent ownership or other intellectual property rights are claimed.

We may be subject to claims or inquiries regarding alleged unauthorized use of a third party's intellectual property. An adverse outcome in any intellectual property litigation could subject us to significant liabilities to third parties, require us to license technology or other intellectual property rights from others, require us to comply with injunctions to cease marketing or using certain products or brands, or require us to redesign, re-engineer, or re-brand certain products or packaging, any of which could affect our business, financial condition and operating results. If we are required to seek licenses under patents or other intellectual property rights of others, we may not be able to acquire these licenses on acceptable terms, if at all. In addition, the cost of responding to an intellectual property infringement claim, in terms of legal fees and expenses and the diversion of management resources, whether or not the claim is valid, could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to adequately protect our intellectual property.

While we believe that our patents, trademarks and other intellectual property have significant value, it is uncertain that this intellectual property or any intellectual property acquired or developed by us in the future, will provide a meaningful competitive advantage. Our patents or pending applications may be challenged, invalidated or circumvented by competitors or rights granted thereunder may not provide meaningful proprietary protection.

Moreover, competitors may infringe on our patents or successfully avoid them through design innovation. Policing unauthorized use of our intellectual property is difficult and expensive, and we may not be able to, or have the resources to, prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the United States. The cost of protecting our intellectual property may be significant and could have a material adverse effect on our financial condition and future results of operations.

Table of Contents

We may incur material losses and costs as a result of product liability, recall and warranty claims that may be brought against us.

We are subject to a variety of litigation incidental to our business, including claims for damages arising out of use of our products, claims relating to intellectual property matters and claims involving employment matters and commercial disputes.

We currently carry insurance and maintain reserves for potential product liability claims. However, our insurance coverage may be inadequate if such claims do arise and any liability not covered by insurance could have a material adverse effect on our business. Although we have been able to obtain insurance in amounts we believe to be appropriate to cover such liability to date, our insurance premiums may increase in the future as a consequence of conditions in the insurance business generally or our situation in particular. Any such increase could result in lower net income or cause the need to reduce our insurance coverage. In addition, a future claim may be brought against us that could have a material adverse effect on us. Any product liability claim may also include the imposition of punitive damages, the award of which, pursuant to certain state laws, may not be covered by insurance. Our product liability insurance policies have limits that, if exceeded, may result in material costs that could have an adverse effect on our future profitability. In addition, warranty claims are generally not covered by our product liability insurance. Further, any product liability or warranty issues may adversely affect our reputation as a manufacturer of high-quality, safe products, divert management's attention, and could have a material adverse effect on our business.

Our business may be materially and adversely affected by compliance obligations and liabilities under environmental laws and regulations.

We are subject to increasingly stringent environmental laws and regulations, including those relating to air emissions, wastewater discharges and chemical and hazardous waste management and disposal. Some of these environmental laws hold owners or operators of land or businesses liable for their own and for previous owners' or operators' releases of hazardous or toxic substances or wastes. Other environmental laws and regulations require the obtainment and compliance with environmental permits. To date, costs of complying with environmental, health and safety requirements have not been material. However, the nature of our operations and our long history of industrial activities at certain of our current or former facilities, as well as those acquired, could potentially result in material environmental liabilities.

While we must comply with existing and pending climate change legislation, regulation and international treaties or accords, current laws and regulations have not had a material impact on our business, capital expenditures or financial position. Future events, including those relating to climate change or greenhouse gas regulation could require us to incur expenses related to the modification or curtailment of operations, installation of pollution control equipment or investigation and cleanup of contaminated sites.

We have a substantial amount of debt. To service our debt, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control. If we cannot generate the required cash, we may not be able to make the necessary payments required under our debt.

At December 31, 2016, after giving effect to our issuance of $125.0 million aggregate principal amount of our convertible senior notes due 2022 and the repayment of a portion of our term B loan with a portion of the net proceeds from the convertible senior notes issuance and all of the net proceeds from our common stock issuance in February 2017, we had total long-term debt of approximately $275.0 million (without giving effect to the equity component of the convertible senior notes or any debt discount). Our ability to make payments on our debt, fund our other liquidity needs, and make planned capital expenditures will depend on our ability to generate cash in the future. Our historical financial results have been, and we anticipate that our future financial results will be, subject to fluctuations. Our ability to generate cash, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot guarantee that our business will generate sufficient cash flow from our operations or that future borrowings will be available to us in an amount sufficient to enable us to make payments of our debt, fund other liquidity needs and make planned capital expenditures.

The degree to which we are currently leveraged could have important consequences for shareholders. For example, it could:

- require us to dedicate a substantial portion of our cash from operations to the payment of debt service, reducing the availability of our cash flow to fund working capital, capital expenditures, acquisition and other general corporate purposes;
- increase our vulnerability to adverse economic or industry conditions;
- limit our ability to obtain additional financing in the future to enable us to react to changes in our business; or
- place us at a competitive disadvantage compared to businesses in our industry that have less debt.

Table of Contents

Additionally, any failure to comply with covenants in the instruments governing our debt could result in an event of default which, if not cured or waived, would have a material adverse effect on us.

Our borrowing costs may be impacted by our credit ratings developed by various rating agencies.

Two major ratings agencies, Standard & Poor's and Moody's, evaluate our credit profile on an ongoing basis and have each assigned ratings for our long-term debt. If our credit ratings were to decline, our ability to access certain financial markets may become limited, the perception of us in the view of our customers, suppliers and security holders may worsen and as a result, we may be adversely affected.

We have significant operating lease obligations and our failure to meet those obligations could adversely affect our financial condition.

We lease many of our manufacturing facilities and certain capital equipment. Our rental expense in 2016 under these operating leases was approximately $16.8 million. A failure to pay our rental obligations would constitute a default allowing the applicable landlord to pursue any remedy available to it under applicable law, which would include taking possession of our property and, in the case of real property, evicting us. These leases are categorized as operating leases and are not considered indebtedness for purposes of our debt instruments.

We may be subject to further unionization and work stoppages at our facilities or our customers may be subject to work stoppages, which could seriously impact the profitability of our business.

As of December 31, 2016, approximately 46% of our work force was unionized under several different unions. We are not aware of any present active union organizing drives at any of our other facilities. We cannot predict the impact of any further unionization of our workplace.

Many of our direct or indirect customers have unionized work forces. Strikes, work stoppages or slowdowns experienced by these customers or their suppliers could result in slowdowns or closures of assembly plants where our products are included. In addition, organizations responsible for shipping our customers’ products may be impacted by occasional strikes or other activity. Any interruption in the delivery of our customers’ products could reduce demand for our products and could have a material adverse effect on us.

Our healthcare costs for active employees and future retirees may exceed our projections and may negatively affect our financial results.

We provide healthcare benefits for active employees through comprehensive hospital, surgical and major medical benefit provisions, all of which are subject to various cost-sharing features. If our costs under our benefit programs for active employees exceed our projections, our business and financial results could be materially adversely affected. Additionally, foreign competitors and many domestic competitors provide fewer benefits to their employees, and this difference in cost could adversely impact our competitive position.

A significant portion of our sales is derived from international sources, which exposes us to certain risks which may adversely affect our business and our financial results.

We have extensive operations outside of the United States. Approximately 34.0% of our net sales for the year ended December 31, 2016 were derived from sales by our subsidiaries located outside of the United States. In addition, we may significantly expand our international operations through internal growth and acquisitions. International operations, particularly sales to emerging markets and manufacturing in non-U.S. countries, are subject to risks which are not present within U.S. markets, which include, but are not limited to, the following:

volatility of currency exchange between the U.S. dollar and currencies in international markets;

changes in local government regulations and policies including, but not limited to, foreign currency exchange controls or monetary policy, governmental embargoes, repatriation of earnings, expropriation of property, duty or tariff restrictions, investment limitations and tax policies

political and economic instability and disruptions, including labor unrest, civil strife, acts of war, guerrilla activities, insurrection and terrorism;

legislation that regulates the use of chemicals;

disadvantages of competing against companies from countries that are not subject to U.S. laws and regulations, including the Foreign Corrupt Practices Act ("FCPA");

compliance with international trade laws and regulations, including export control and economic sanctions, such as anti-dumping duties;
difficulties in staffing and managing multi-national operations;
limitations on our ability to enforce legal rights and remedies;
tax inefficiencies in repatriating cash flow from non-U.S. subsidiaries that could affect our financial results and reduce our ability to service debt;
reduced protection of intellectual property rights; and
other risks arising out of foreign sovereignty over the areas where our operations are conducted.

We are also exposed to risks relating to U.S. policy with respect to companies doing business in foreign jurisdictions, particularly in light of the new U.S. presidential administration. Legislation or other changes in the U.S. tax laws could increase our U.S. income tax liability and adversely affect our after-tax profitability. For example, U.S. lawmakers are considering several U.S. corporate tax reform proposals, including, among others, proposals which could reduce or eliminate U.S. income tax deferrals on unrepatriated foreign earnings and eliminate tax incentives in exchange for a lower U.S. statutory tax rate. In addition, the new U.S. presidential administration has introduced greater uncertainty with respect to future tax, trade regulations and trade agreements. Changes in tax policy, trade regulations or trade agreements, such as the disallowance of tax deductions on imported merchandise or the imposition of new tariffs on imported products, could have a material adverse effect on our business and results of operations.

In addition, we could be adversely affected by violations of the FCPA and similar worldwide anti-bribery laws as well as export controls and economic sanction laws. The FCPA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business.

Our reputation, ability to do business, and results of operations may be impaired by improper conduct by any of our employees, agents, or business partners.

While we strive to maintain high standards, we cannot provide assurance that our internal controls and compliance systems will always protect us from acts committed by our employees, agents, or business partners that would violate U.S. and/or non-U.S. laws or fail to protect our confidential information, including the laws governing payments to government officials, bribery, fraud, anti-kickback and false claims rules, competition, export and import compliance, money laundering, and data privacy laws, as well as the improper use of proprietary information or social media. Any such allegations, violations of law or improper actions could subject us to civil or criminal investigations in the United States and in other jurisdictions, could lead to substantial civil or criminal, monetary and non-monetary penalties, and related shareholder lawsuits, could lead to increased costs of compliance, could damage our reputation and could have a material effect on our financial statements.

Our growth strategy includes acquisitions. If we are unable to identify attractive acquisition candidates, successfully integrate acquired operations or realize the intended benefits of our acquisitions, we may be adversely affected.

We may pursue strategic acquisition opportunities. Any acquisition will likely require integration expenses and actions that could negatively impact our results of operations, some of which we may not be able to fully anticipate beforehand. In addition, attractive acquisition candidates may not be identified and acquired in the future, financing for acquisitions may be unavailable on satisfactory terms and we may be unable to accomplish our strategic objectives in effecting a particular acquisition. We may encounter various risks in acquiring other companies, including the possible inability to integrate an acquired business into our operations, diversion of management's attention and unanticipated problems or liabilities, some or all of which could materially and adversely affect our business strategy and financial condition and results of operations.

We may not realize the growth opportunities and cost synergies that are anticipated from the acquisition of the Westfalia Group.

We completed the acquisition of the Westfalia Group in October 2016. The benefits that are expected to result from the acquisition of Westfalia Group will depend, in part, on our ability to realize the anticipated growth opportunities

and cost synergies as a result of the acquisition. Our success in realizing these growth opportunities and cost synergies, and the timing of this realization, depends on the successful integration of the Westfalia Group. There is a significant degree of difficulty and management distraction inherent in the process of integrating an acquisition as sizable as the Westfalia Group. The process of integrating operations could cause an interruption of, or loss of, momentum in ours and the Westfalia Group's activities. Members of our senior management may be required to devote considerable amounts of time to this integration process, which will decrease the time they will have to manage our business, service existing customers, attract new customers, and develop new products or strategies. If senior management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could suffer. There can be no assurance that we will successfully or cost-effectively

integrate the Westfalia Group. The failure to do so could have a material adverse effect on our business, financial condition, and results of operations.

Even if we are able to integrate the Westfalia Group successfully, this integration may not result in the realization of the full benefits of the growth opportunities and cost synergies that we currently expect from this integration, and we cannot guarantee that these benefits will be achieved within anticipated time frames or at all. For example, we may not be able to eliminate duplicative costs. Moreover, we may incur substantial expenses in connection with the integration of the Westfalia Group. While it is anticipated that certain expenses will be incurred to achieve cost synergies, such expenses are difficult to estimate accurately, and may exceed current estimates. Accordingly, the benefits from the acquisition may be offset by costs incurred to, or delays in, integrating the businesses.

Our acquisition agreements by which we have acquired companies include indemnification provisions that may not fully protect us and may result in unexpected liabilities.

Certain of the agreements related to the acquisition of businesses require indemnification against certain liabilities related to the operations of the company for the previous owner. We cannot be assured that any of these indemnification provisions will fully protect us, and as a result we may incur unexpected liabilities that adversely affect our profitability and financial position.

Increased information technology security threats and more sophisticated and targeted computer crime could pose a risk to our systems, networks, and products.

Increased global information technology security threats and more sophisticated and targeted computer crime pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data and communications. While we attempt to mitigate these risks by employing a number of measures, monitoring of our networks and systems, and maintenance of backup and protective systems, our systems, networks and products remain potentially vulnerable to advanced persistent threats. Depending on their nature and scope, such threats could potentially lead to the compromising of confidential information and communications, improper use of our systems and networks, manipulation and destruction of data, defective products, production downtimes and operational disruptions, which in turn could adversely affect our reputation, customer relationships, competitiveness and results of operations. We may be required to incur significant costs to remedy damages caused by these disruptions or security breaches or to protect against disruption or security breaches in the future.

A major failure of our information systems could harm our business.

We depend on integrated information systems to conduct our business. We may experience operating problems with our information systems as a result of system failures, viruses, computer hackers or other causes. Any significant disruption or slowdown of our systems could cause customers to cancel orders or cause standard business processes to become inefficient or ineffective.

The accounting method for convertible debt securities that may be settled in cash, such as our convertible senior notes, could have a material effect on our reported financial results.

Under Accounting Standards Codification 470-20, Debt with Conversion and Other Options, which we refer to as ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as our convertible senior notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer’s economic interest cost. The effect of ASC 470-20 on the accounting for our convertible senior notes is that the equity component is required to be included in the additional paid-in capital section of stockholders’ equity on our consolidated balance sheet and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of our convertible senior notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of our convertible senior notes to their face amount over the term of the convertible senior notes. We will report lower net income in our financial statements because ASC 470-20 will require interest to include both the current period’s amortization of the debt discount and the instrument’s coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the convertible senior notes.

In addition, under certain circumstances, convertible debt instruments (such as our convertible senior notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of our convertible senior notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of our convertible senior notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of our convertible senior notes, then our diluted earnings per share would be adversely affected.

Table of Contents

Risks Relating to the Spin-off

Our historical consolidated financial information is not necessarily indicative of our future financial condition, results of operations or cash flows nor do they reflect what our financial condition, results of operations or cash flows would have been as an independent public company during the periods presented.

Some of the historical consolidated financial information included in this Annual Report on Form 10-K does not reflect what our financial condition, results of operations or cash flows would have been as an independent public company during all periods presented and is not necessarily indicative of our future financial condition, future results of operations or future cash flows. This is primarily a result of the following factors:

- these historical consolidated financial results include allocations of expenses for services historically provided by TriMas, and those allocations may be significantly lower than the comparable expenses we would have incurred as an independent company;
- our working capital requirements and capital expenditures historically have been satisfied as a part of TriMas' corporate-wide capital allocation and cash management programs; as a result, our debt structure and cost of debt and other capital may be significantly different from that reflected in our historical consolidated financial statements;
- the historical consolidated financial information may not fully reflect the increased costs associated with being an independent public company, including significant changes that have occurred in our cost structure, management, financing arrangements and business operations as a result of our spin-off from TriMas; and
- the historical consolidated financial information may not fully reflect the effects of certain liabilities that will be incurred or have been assumed by us and may not fully reflect the effects of certain assets and liabilities that have been retained by TriMas.

We remain subject to continuing contingent liabilities of TriMas following the spin-off.

There are several significant areas where the liabilities of TriMas may yet become our obligations. The separation and distribution agreement and employee matters agreement generally provide that we are responsible for substantially all liabilities that relate to our Horizon Americas and Horizon Asia Pacific business activities, whether incurred prior to or after the spin-off, as well as those liabilities of TriMas specifically assumed by us. In addition, under the Internal Revenue Code (the "Code") and the related rules and regulations, each corporation that was a member of the TriMas consolidated tax reporting group during any taxable period or portion of any taxable period ending on or before the completion of the spin-off is jointly and severally liable for the federal income tax liability of the entire TriMas consolidated tax reporting group for that taxable period. In connection with the spin-off, we entered into a tax sharing agreement with TriMas that allocated the responsibility for prior period taxes of the TriMas consolidated tax reporting group between us and TriMas. However, if TriMas is unable to pay any prior period taxes for which it is responsible, we could be required to pay the entire amount of such taxes. Other provisions of federal law establish similar liability for other matters, including laws governing tax-qualified pension plans as well as other contingent liabilities.

Potential liabilities associated with certain assumed obligations under the tax sharing agreement cannot be precisely quantified at this time.

Under the tax sharing agreement with TriMas, we are responsible generally for certain taxes paid after the spin-off attributable to us or any of our subsidiaries, whether accruing before, on or after the spin-off. We have also agreed to be responsible for, and to indemnify TriMas with respect to, all taxes arising as a result of the spin-off (or certain internal restructuring transactions) failing to qualify as transactions under Sections 368(a) and 355 of the Code for U.S. federal income tax purposes (which could result, for example, from a merger or other transaction involving an acquisition of our shares) to the extent such tax liability arises as a result of any breach of any representation, warranty, covenant or other obligation by us or certain affiliates made in connection with the issuance of the tax opinion relating to the spin-off or in the tax sharing agreement. As described above, such tax liability would be calculated as though TriMas (or its affiliate) had sold its shares of common stock of our company in a taxable sale for their fair market value, and TriMas (or its affiliate) would recognize taxable gain in an amount equal to the excess of the fair market value of such shares over its tax basis in such shares. That tax liability could have a material adverse effect on our company.

We may not be able to engage in desirable strategic or equity raising transactions following the spin-off. In addition, under some circumstances, we could be liable for any adverse tax consequences resulting from engaging in significant strategic or capital raising transactions.

Even if the spin-off otherwise qualifies as a tax-free distribution under Section 355 of the Code, the spin-off may result in significant U.S. federal income tax liabilities to TriMas under applicable provisions of the Code if 50% or more of TriMas' shares or our shares (in each case, by vote or value) are treated as having been acquired, directly or indirectly, by one or more persons (other than the acquisition of our common stock by TriMas stockholders in the spin-off) as part of a plan (or series of related transactions)

Table of Contents

that includes the spin-off. Under those provisions, any acquisitions of TriMas shares or our shares (or similar acquisitions), or any understanding, arrangement or substantial negotiations regarding an acquisition of TriMas shares or our shares (or similar acquisitions), within two years before or after the spin-off are subject to special scrutiny. The process for determining whether an acquisition triggering those provisions has occurred is complex, inherently factual and subject to interpretation of the facts and circumstances of a particular case. If a direct or indirect acquisition of TriMas shares or our shares resulted in a change in control as contemplated by those provisions, TriMas (but not its stockholders) would recognize a taxable gain. Under the tax sharing agreement, there are restrictions on our ability to take actions that could cause the separation to fail to qualify as a tax-free distribution, and we will be required to indemnify TriMas against any such tax liabilities attributable to actions taken by or with respect to us or any of our affiliates, or any person that, after the spin-off, is an affiliate thereof. We may be similarly liable if we breach certain other representations or covenants set forth in the tax sharing agreement. As a result of the foregoing, we may be unable to engage in certain strategic or capital raising transactions that our stockholders might consider favorable, including use of Horizon common stock to make acquisitions and equity capital market transactions, or to structure potential transactions in the manner most favorable to us, without adverse tax consequences, if at all.

Potential indemnification liabilities to TriMas pursuant to the separation and distribution agreement could materially and adversely affect our business, financial condition, results of operations and cash flows.

We entered into a separation and distribution agreement with TriMas that provides for, among other things, the principal corporate transactions required to affect the spin-off, certain conditions to the spin-off and provisions governing the relationship between our company and TriMas with respect to and resulting from the spin-off. Among other things, the separation and distribution agreement provides for indemnification obligations designed to make us financially responsible for substantially all liabilities that may exist relating to our Cequent business activities, whether incurred prior to or after the spin-off, as well as those obligations of TriMas assumed by us pursuant to the separation and distribution agreement. If we are required to indemnify TriMas under the circumstances set forth in the separation and distribution agreement, we may be subject to substantial liabilities.

In connection with our separation from TriMas, TriMas will indemnify us for certain liabilities. However, there can be no assurance that the indemnity will be sufficient to insure us against the full amount of such liabilities, or that TriMas' ability to satisfy its indemnification obligations will not be impaired in the future.

Pursuant to the separation and distribution agreement, TriMas agreed to indemnify us for certain liabilities. However, third parties could seek to hold us responsible for any of the liabilities that TriMas has agreed to retain, and there can be no assurance that the indemnity from TriMas will be sufficient to protect us against the full amount of such liabilities, or that TriMas will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from TriMas any amounts for which we are held liable, we may be temporarily required to bear these liabilities ourselves. If TriMas is unable to satisfy its indemnification obligations, the underlying liabilities could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Further, TriMas’ insurers may deny coverage to us for liabilities associated with occurrences prior to the spin-off. Even if we ultimately succeed in recovering from such insurance providers, we may be required to temporarily bear such loss of coverage.

Risks Relating to Ownership of Our Common Stock

Our stock price may be subject to significant volatility due to our own results or market trends.

If our revenue, earnings or cash flows in any quarter fail to meet the investment community's expectations, there could be an immediate negative impact on our stock price. Our stock price could also be impacted by broader market trends and world events unrelated to our performance.

Our recent issuance of convertible senior notes, or the issuance of any additional shares of our common stock or instruments convertible into shares of our common stock, could materially and adversely affect the market price of our common stock.

In February 2017, we issued $125.0 million aggregate principal amount of convertible senior notes. The convertible senior notes may be settled in cash, shares of common stock or a combination of cash and shares of common stock, at

our option. In the future, we may issued additional shares of our common stock or other instruments convertible into, or exchangeable or exercisable for, shares of our common stock. The recent convertible senior notes issuance, and any future issuance of shares of our common stock or instruments convertible into, or exercisable or exchangeable into, shares of our common stock, may materially and adversely affect the market price of our common stock.

In particular, a substantial number of shares of our common stock is reserved for issuance upon conversion of the convertible senior notes upon exercise and settlement or termination of the warrant transactions that we entered into in connection with the convertible senior notes offering, and upon the exercise of stock options, the vesting of restricted stock awards and deferred restricted stock units to our employees. We cannot predict the size of future issuances or the effect, if any, that they may have on

the market price for our common stock. The issuance and sale of substantial amounts of shares of our common stock, or the perception that such issuances and sales may occur, could adversely affect the market price of our common stock and impair our ability to raise capital through the sale of additional equity or equity-linked securities. In addition, the market price of our common stock could also be affected by possible sales of our common stock by investors who view our convertible senior notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving our convertible senior notes and our common stock.

Anti-takeover provisions contained in our Amended and Restated Certificate of Incorporation, or our “certificate of incorporation,” and Amended and Restated Bylaws, or our “bylaws,” as well as provisions of Delaware law, could impair a takeover attempt that stockholders may consider favorable.

Our certificate of incorporation and bylaws provisions, as amended and restated, may have the effect of delaying, deferring or discouraging a prospective acquiror from making a tender offer for our common stock or otherwise attempting to obtain control of us. These provisions, among other things, establish that our board of directors fixes the number of members of the board, divide the board of directors into three classes with staggered terms and establish advance notice requirements for nomination of candidates for election to the board or for proposing matters that can be acted on by stockholders at stockholder meetings. To the extent that these provisions discourage takeover attempts, they could deprive stockholders of opportunities to realize takeover premiums for their shares of common stock. Moreover, these provisions could discourage accumulations of large blocks of our common stock, thus depriving stockholders of any advantages that large accumulations of common stock might provide.

As a Delaware corporation, we will also be subject to provisions of Delaware law, including Section 203 of the General Corporation Law of the State of Delaware. Section 203 prevents some stockholders holding more than 15% of our voting stock from engaging in certain business combinations unless the business combination or the transaction that resulted in the stockholder becoming an interested stockholder was approved in advance by our board of directors, results in the stockholder holding more than 85% of our voting stock, subject to certain restrictions, or is approved at an annual or special meeting of stockholders by the holders of at least 66 $^{2/3}$% of our voting stock not held by the stockholder engaging in the transaction.

Any provision of our certificate of incorporation or our bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

We may issue preferred stock with terms that could dilute the voting power or reduce the value of our common stock.

Our amended and restated certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over our common stock respecting dividends and distributions, as our board of directors generally may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred stock could affect the residual value of our common stock.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company" as defined in the Jumpstart our Business Startups Act of 2012 (the "JOBS Act"). For as long as we continue to be an emerging growth company we may choose to take advantage of certain exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies, which includes, among other things:

- exemption from the auditor attestation requirements under Section 404 of the Sarbanes-Oxley Act of 2002;
- reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements;

exemption from the requirements of holding non-binding stockholder votes on executive compensation arrangements; and

exemption from any rules requiring mandatory audit firm rotation and auditor discussion and analysis and, unless the SEC otherwise determines, any future audit rules that may be adopted by the Public Company Accounting Oversight Board.

Table of Contents

We could be an emerging growth company until the last day of the fiscal year following the fifth anniversary of the consummation of the spin-off, or until the earliest of (i) the last day of the fiscal year in which we have annual gross revenue of $1 billion or more, (ii) the date on which we have, during the previous three year period, issued more than $1 billion in non-convertible debt or (iii) the date on which we are deemed to be a large accelerated filer under the federal securities laws. We will qualify as a large accelerated filer as of the first day of the first fiscal year after we have (i) more than $700 million in outstanding common equity held by our non-affiliates and (ii) been public for at least 12 months. The value of our outstanding common equity will be measured each year on the last day of our second fiscal quarter.

Under the JOBS Act, emerging growth companies are also permitted to elect to delay adoption of new or revised accounting standards until companies that are not subject to periodic reporting obligations are required to comply, if such accounting standards apply to non-reporting companies. We have made an irrevocable decision to opt out of this extended transition period for complying with new or revised accounting standards.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

As of December 31, 2016, our operations were conducted through 64 facilities in 21 countries. All of our principal manufacturing facilities are leased. The leases for our manufacturing facilities have initial terms that expire from 2017 through 2041 and are all renewable, at our option, for various terms, provided that we are not in default under the lease agreements. Our corporate headquarters are located in Troy, Michigan under a lease through November 2027. We believe that substantially all of our properties are in generally good condition and there is sufficient capacity to meet current and projected manufacturing, product development and logistics requirements.

The following list identifies, by reportable segment, the location of our principal manufacturing and other facilities as of December 31, 2016:

Horizon Americas	Horizon Asia Pacific	Horizon Europe Africa
United States:	International:	International:
Indiana:	Australia:	Germany:
South Bend	Keysborough,Victoria	Hartha
		Rheda-Wiedenbruck
Iowa:	New Zealand:	
Fairfield	Manukau City	France:
		Luneray
Michigan:	Thailand:	
Plymouth	Chon Buri	Romania:
		Brasov
Ohio:		
Solon		South Africa:
		Pretoria
Texas:		Springs
Dallas		
McAllen		United Kingdom:
		Deeside
International:		
Brazil:		
Itaquaquecetuba, São Paulo		
Canada:		
Mississauga, Ontario		

Mexico:
Reynosa

Item 3. Legal Proceedings

We are subject to claims and litigation in the ordinary course of business, but we do not believe that any such claim or litigation is likely to have a material adverse effect on our financial position and results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

Supplementary Item. Executive Officers of the Company

All executive officers have been employed by us in their current roles since the spin-off. The executive officers of Horizon as of December 31, 2016 are as follows:

A. Mark Zeffiro. Mr. Zeffiro was appointed as co-chair of our Board on June 29, 2015, and was named our president and chief executive officer on June 30, 2015. Mr. Zeffiro has served as president and a director of Horizon since our incorporation on January 14, 2015. Mr. Zeffiro previously served as group president of Cequent, which was comprised of TriMas' Cequent Americas and Cequent APEA reporting segments specializing in towing, trailering and cargo management products (“Cequent”), beginning in January 2015. Mr. Zeffiro served as chief financial officer of TriMas from June 2008 to January 2015 and executive vice president of TriMas from May 2013 until January 2015. Prior to joining TriMas, Mr. Zeffiro held various financial management and business positions with General Electric Company, or GE, a diversified technology and financial services company, and Black and Decker Corporation, or Black & Decker, a global manufacturer of quality power tools and accessories, hardware, home improvement products and fastening systems. From 2004 through 2008, during Mr. Zeffiro’s four-year tenure with Black & Decker, he was vice president of finance for the global consumer product group and Latin America. In addition, Mr. Zeffiro was directly responsible for and functioned as general manager of Black & Decker’s factory store business unit. From 2003 to 2004, Mr. Zeffiro was chief financial officer of First Quality Enterprises, a private company producing consumer products for the health care market. From 1988 through 2002, he held a series of operational and financial leadership positions with GE, the most recent of which was chief financial officer of its medical imaging manufacturing division. In April 2015, Mr. Zeffiro was appointed to the board of directors of Atkore International Group, Inc., a manufacturer of electrical raceway solutions. Mr. Zeffiro also serves on the board of directors of the Detroit Institute of Arts, where he chairs the finance committee, and the board of trustees of Walsh College, where he sits on the academic committee. Mr. Zeffiro's position as president and chief executive officer of Horizon provides him the ability to offer the Board firsthand insight into the operations and strategic vision of the Company. Mr. Zeffiro has extensive knowledge and subject matter expertise in strategic planning, business management, mergers and acquisitions and financial accounting.

David Rice. Mr. Rice was named our chief financial officer on June 30, 2015 in connection with the spin-off from TriMas. From January 14, 2015 through June 29, 2015, Mr. Rice served as vice president and a director of Horizon. Mr. Rice was previously division finance officer for TriMas’ subsidiary Cequent Performance Products, Inc. beginning in 2011. Prior to his appointment in 2011, Mr. Rice held various positions within TriMas, including group controller from 2005 to 2009 and vice president of corporate audit from 2009 to 2011. Before joining TriMas in 2005, Mr. Rice held divisional controller positions with GKN Sinter Metals, a leading supplier of powdered metal precision components, from 2004 to 2005, and Mueller Industries, Inc., a manufacturer and distributor of copper, brass, aluminum and plastic fittings, valves and related tubular flow control and industrial products, from 1998 to 2004. Mr. Rice held positions of increasing financial leadership at The Woodbridge Group from 1994 to 1998, a company offering urethane and bead foam technologies to the automotive and commercial vehicle industries and other business sectors. Mr. Rice began his career in public accounting with Coopers and Lybrand and brings over 30 years of accounting and financial leadership, mergers and acquisitions and management of international operations experience.

Jay Goldbaum. Mr. Goldbaum was named our legal director, chief compliance officer and corporate secretary on June 30, 2015 in connection with the spin-off from TriMas. From January 14, 2015 through June 29, 2015, Mr. Goldbaum served as vice president, corporate secretary and a director of Horizon. Mr. Goldbaum was previously associate general counsel-commercial law for TriMas beginning in January 2014. Mr. Goldbaum joined TriMas in January 2012 and held the position of legal counsel. Before joining TriMas, Mr. Goldbaum was an associate in the corporate and litigation practice groups at the law firm of Jaffe, Raitt, Heuer & Weiss, P.C. from September 2007 to August 2011. Mr. Goldbaum also held the position of chief operating officer at Teal Media, an internet design and communications company, from August 2011 to October 2011.

21

Table of Contents

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock, par value $0.01 per share, is listed for trading on the New York Stock Exchange, or NYSE, under the symbol "HZN." As of March 7, 2017, there were 277 holders of record of our common stock.

The high and low sales prices per share of our common stock by quarter, as reported on the New York Stock Exchange through December 31, 2016, are shown below:

	Price range of common stock	
	High Price	Low Price
Year ended December 31, 2016		
1st Quarter	$12.80	$8.06
2nd Quarter	$13.10	$10.60
3rd Quarter	$20.97	$10.84
4th Quarter	$25.36	$19.20
Year ended December 31, 2015		
2nd Quarter	$16.25	$15.05
3rd Quarter	$15.75	$8.59
4th Quarter	$11.00	$8.04

Horizon does not intend to declare and pay any dividends on its common stock for the foreseeable future. The Company currently intends to invest its future earnings, if any, to fund its growth, to develop its business, for working capital needs and for general corporate purposes. Any payment of dividends will be at the discretion of Horizon's board of directors and will depend upon various factors then existing, including earnings, financial condition, results of operations, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends, restrictions imposed by applicable law, general business conditions and other factors that Horizon's board of directors may deem relevant.

Table of Contents

Performance Graph

The following graph provides a comparison of the cumulative shareholder return on the Company's common stock to the returns of the Russell 2000 Index and the average performance of the Company's selected peer group[1] based on total shareholder return from July 1, 2015 (the first day our common stock began regular-way trading on the NYSE) through December 31, 2016. We have assumed that dividends have been reinvested and returns have been weighted-averaged based on market capitalization. The graph assumes that $100 was invested on July 1, 2015 in each of Horizon's common stock, the stocks comprising the Russell 2000 Index and the stocks comprising the peer group.

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[1] Includes Ametek Inc., Dorman Products Inc., Douglas Dynamics, Inc., Drew Industries Incorporated, Federal Signal Corporation, Fox Factory Holding Corp., Gentex Corporation, Gentherm Incorporated, Manitex International Inc., Motorcar Parts of America, Inc., Shiloh Industries, Inc., Spartan Motors, Inc., Standard Motor Products, Inc., Stoneridge, Inc., Strattec Security Corporation, Superior Industries International, Inc., Supreme Industries, Inc., Wabash National Corporation and WABCO Holdings Inc.

Table of Contents

Item 6. Selected Financial Data

The consolidated financial statements for periods prior to the spin-off include the historical results of operations, assets and liabilities of the legal entities that are considered to comprise Horizon. Our historical results of operations, financial position, and cash flows presented in the consolidated financial statements for periods prior to the separation may not be indicative of what they would have been had we actually been a separate stand-alone public entity during such periods, nor are they necessarily indicative of our future results of operations, financial position and cash flows.
The following data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our audited financial statements included in Item 8, "Financial Statements and Supplementary Data," within this Annual Report on Form 10-K.

	Year ended December 31,			
	2016	2015	2014	2013
	(dollars in thousands, except per share data)			
Statement of Income Data:				
Net sales	$649,200	$575,510	$611,780	$588,270
Gross profit	160,350	143,040	148,090	125,010
Operating profit	6,300	19,570	24,460	5,670
Net income (loss)	(12,660)	8,300	15,350	9,780
Net (loss) attributable to noncontrolling interest	(300)	—	—	—
Net income (loss) attributable to Horizon Global	(12,360)	8,300	15,350	9,780
Net income (loss) per share attributable to Horizon Global:				
Basic	$(0.66)	$0.46	$0.85	$0.54
Diluted	$(0.66)	$0.46	$0.85	$0.54
Weighted average common shares outstanding:				
Basic	18,775,500	18,064,491	18,062,027	18,062,027
Diluted	18,775,500	18,160,852	18,113,416	18,098,645

	As of December 31,			
	2016	2015	2014	2013
	(dollars in thousands)			
Balance Sheet Data:				
Total assets	$613,370	$331,580	$339,500	$360,680
Current maturities, long-term debt	22,900	10,130	460	1,300
Long-term debt	327,040	178,610	300	670

Table of Contents

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition contains forward-looking statements regarding industry outlook and our expectations regarding the performance of our business. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under the heading "Forward-Looking Statements," at the beginning of this Annual Report on Form 10-K. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

The financial information discussed below and included in this Annual Report on Form 10-K for periods prior to the separation may not necessarily reflect what Horizon's financial condition, results of operations or cash flows would have been had Horizon been a stand-alone public entity during this period or what Horizon's financial condition, results of operations and cash flows may be in the future. You should read the following discussion together with Item 8, "Financial Statements and Supplementary Data" within this Annual Report on Form 10-K.

Overview

We are a leading designer, manufacturer and distributor of a wide variety of high-quality, custom-engineered towing, trailering, cargo management and other related accessory products on a global basis, serving the automotive aftermarket, retail and OE markets.

Critical factors affecting our ability to succeed include: our ability to realize the expected economic benefits of structural realignment of manufacturing facilities and business units; our ability to quickly and cost-effectively introduce new products; our ability to acquire and integrate companies or products that supplement existing product lines, add new distribution channels and expand our geographic coverage; our ability to manage our cost structure more efficiently via supply base management, internal sourcing and/or purchasing of materials, selective outsourcing and/or purchasing of support functions, working capital management, and leverage of our administrative functions. If we are unable to do any of the foregoing successfully, our financial condition and results of operations could be materially and adversely impacted.

We report shipping and handling expenses associated with our Horizon Americas reportable segment's distribution network as an element of selling, general and administrative expenses in our consolidated statements of income (loss). As such, gross margins for the Horizon Americas reportable segment may not be comparable to those of our Horizon Asia Pacific and Horizon Europe Africa segments, which primarily rely on third-party distributors, for which all costs are included in cost of sales.

The acquisition of the Westfalia Group, a European leader in towing products, addressed a geographic gap in our global footprint by strengthening our presence in the European market. The Westfalia Group is included in the results of operations and consolidated financial statements beginning October 1, 2016.

Table of Contents

Segment Information and Supplemental Analysis

The following table summarizes financial information for our three reportable segments:

	Year ended December 31,					
	2016	As a Percentage of Net Sales	2015	As a Percentage of Net Sales	2014	As a Percentage of Net Sales
	(dollars in thousands)					
Net Sales						
Horizon Americas	$443,240	68.3 %	$429,310	74.6 %	$446,670	73.0 %
Horizon Asia Pacific	101,880	15.7 %	95,270	16.6 %	110,970	18.1 %
Horizon Europe Africa	104,080	16.0 %	50,930	8.8 %	54,140	8.8 %
Total	$649,200	100.0 %	$575,510	100.0 %	$611,780	100.0 %
Gross Profit						
Horizon Americas	$131,320	29.6 %	$116,290	27.1 %	$116,710	26.1 %
Horizon Asia Pacific	22,470	22.1 %	19,100	20.0 %	23,660	21.3 %
Horizon Europe Africa	6,560	6.3 %	7,650	15.0 %	7,720	14.3 %
Total	$160,350	24.7 %	$143,040	24.9 %	$148,090	24.2 %
Selling, General and Administrative						
Horizon Americas	$86,470	19.5 %	$84,190	19.6 %	$85,190	19.1 %
Horizon Asia Pacific	11,210	11.0 %	11,420	12.0 %	15,010	13.5 %
Horizon Europe Africa	17,180	16.5 %	7,460	14.6 %	8,690	16.1 %
Corporate	30,290	N/A	18,280	N/A	14,000	N/A
Total	$145,150	22.4 %	$121,350	21.1 %	$122,890	20.1 %
Net Gain/(Loss) on Disposition of Property and Equipment						
Horizon Americas	$(230)	(0.1)%	$(1,800)	(0.4)%	$(710)	(0.2)%
Horizon Asia Pacific	(30)	— %	(30)	— %	10	— %
Horizon Europe Africa	(280)	(0.3)%	(290)	(0.6)%	(40)	(0.1)%
Corporate	—	N/A	—	N/A	—	N/A
Total	$(540)	(0.1)%	$(2,120)	(0.4)%	$(740)	(0.1)%
Operating Profit (Loss)						
Horizon Americas	$38,680	8.7 %	$30,300	7.1 %	$30,810	6.9 %
Horizon Asia Pacific	11,230	11.0 %	7,650	8.0 %	8,970	8.1 %
Horizon Europe Africa	(13,320)	(12.8)%	(100)	(0.2)%	(1,320)	(2.4)%
Corporate	(30,290)	N/A	(18,280)	N/A	(14,000)	N/A
Total	$6,300	1.0 %	$19,570	3.4 %	$24,460	4.0 %
Capital Expenditures						
Horizon Americas	$5,550	1.3 %	$5,970	1.4 %	$4,530	1.0 %
Horizon Asia Pacific	3,310	3.2 %	1,360	1.4 %	4,480	4.0 %
Horizon Europe Africa	4,670	4.5 %	690	1.4 %	2,430	4.5 %
Corporate	1,010	N/A	300	N/A	—	N/A
Total	$14,540	2.2 %	$8,320	1.4 %	$11,440	1.9 %
Depreciation and Amortization						
Horizon Americas	$10,750	2.4 %	$10,750	2.5 %	$11,410	2.6 %
Horizon Asia Pacific	4,090	4.0 %	4,130	4.3 %	4,830	4.4 %
Horizon Europe Africa	3,290	3.2 %	2,070	4.1 %	2,690	5.0 %

Corporate	90	N/A		130	N/A		—	N/A	
Total	$18,220	2.8	%	$17,080	3.0	%	$18,930	3.1	%

26

Table of Contents

Results of Operations

Year Ended December 31, 2016 Compared with Year Ended December 31, 2015

The principal factors impacting us during the year ended December 31, 2016, compared with the year ended December 31, 2015 were:

- the impacts of the Westfalia Group acquisition;
- global sales growth with our automotive OE customers driven by both new program awards and growth within existing programs; and
- the realization of previously implemented cost savings and productivity initiatives.

Overall, net sales increased approximately $73.7 million, or approximately 12.8%, to $649.2 million in 2016, as compared to $575.5 million in 2015. During the year ended December 31, 2016, net sales increased in all of our reportable segments. Net sales within our Horizon Europe Africa reportable segment increased $53.2 million driven by our fourth quarter 2016 acquisition of the Westfalia Group, which added net sales of $54.5 million to Horizon Europe-Africa's results in 2016. Growth in Horizon Europe-Africa's automotive OE channel in the legacy businesses in Germany and South Africa were more than offset by declines in legacy businesses elsewhere in Europe and unfavorable currency exchange. Net sales within our Horizon Americas reportable segment were up $13.9 million driven by increases in the automotive OE, e-commerce, and retail channels, which were partially offset by a decline within the aftermarket and industrial channels. Net sales within our Horizon Asia Pacific reportable segment increased by $6.6 million primarily due to increases in the automotive OE channel, which were partially offset by unfavorable currency exchange.

Gross profit margin (gross profit as a percentage of net sales) approximated 24.7% and 24.9% in 2016 and 2015, respectively. The overall decrease in gross profit margin primarily relates to our Horizon Europe Africa reportable segment, which was negatively impacted by purchase accounting, as well as higher commodity prices, product input costs, and unfavorable currency exchange. The decreases in gross profit margin were partially offset by higher sales volumes in both of our Horizon Americas and Horizon Asia Pacific reportable segments. Additionally, margin improvement in our Horizon Americas' reportable segment and cost savings and productivity initiatives in our Horizon Asia Pacific reportable segment partially offset the decline in the gross profit margin.

Operating profit margin (operating profit as a percentage of net sales) approximated 1.0% and 3.4% in 2016 and 2015, respectively. Operating profit decreased $13.3 million, or 67.8%, to $6.3 million in 2016 as compared to $19.6 million in 2015, primarily as a result of the impact of purchase accounting and transaction related expenses within the Horizon Europe-Africa reportable segment. Operating profit margin was also negatively impacted by $6.8 million of incremental expenses related to the impairment of intangible assets and the disposal of property and equipment compared to 2015 in our Horizon Americas and Horizon Europe-Africa reportable segments. Partially offsetting these decreases were favorable product mix and lower input costs in our Horizon Americas reportable segment and cost and productivity initiatives in our Horizon Asia Pacific reportable segment.

Interest expense increased approximately $11.3 million, to $20.1 million in 2016, as compared to $8.8 million in 2015. As we became a public company, we incurred debt in the form of a Term B Loan (as defined below) and ABL Facility (as defined below). The increase in expense in 2016 is partially due to these instruments being outstanding for twelve months compared to only six months in 2015. We also incurred additional debt in the form of the Incremental Term B Loan (as defined below) that was extended to us in the fourth quarter of 2016 in connection with the acquisition of the Westfalia Group.

Other expense, net decreased approximately $1.1 million to $2.6 million in 2016, from $3.7 million in 2015, primarily driven by lower foreign currency transaction losses as the U.S. dollar stabilized in relation to the foreign currencies in which we operate.

The effective income tax rate for 2016 was 22.8%, compared to (18.2)% for 2015. The higher effective tax rate for the year ended December 31, 2016 is primarily driven by incurring non-deductible transaction costs related to the

Westfalia Group acquisition, which were partially offset by the recognition of income tax benefits associated with the release of certain unrecognized tax positions. The lower tax rate in 2015 was due to the recognition of a $3.3 million tax benefit due to the release of an unrecognized tax contingency due to the expiration of the statute of limitations, which was offset by $2.9 million of tax charges for spin-off related transaction costs. Additionally, the overall effective tax rate for 2015 was reduced by the recognition of benefits associated with losses in certain jurisdictions with higher statutory tax rates.

Net income decreased approximately $21.0 million to a net loss of $12.7 million in 2016, from net income of $8.3 million in 2015. The decrease was primarily the result of a $13.3 million decrease in operating profit, a $11.3 million increase in interest expense, partially offset by a $1.1 million decrease in other expenses, net and by a $2.5 million increase in income tax benefit.

Table of Contents

See below for a discussion of operating results by reportable segment.

Horizon Americas. Net sales increased approximately $13.9 million , or 3.2%, to $443.2 million in 2016, as compared to $429.3 million in 2015. Net sales in our automotive OE channel increased approximately $14.8 million, primarily driven by new programs and continued growth with global automotive manufacturers. E-commerce increased by approximately $7.6 million, due to increased consumer promotional activity and increased demand from automotive Internet retailers. Net sales in our retail channel increased approximately $0.8 million, driven by growth with our mass merchant and automotive retail customers in our towing, trailering, and broom and brush categories. These increases were partially offset by decreases within our aftermarket and industrial channels. Net sales in our aftermarket channel decreased approximately $4.6 million due to a consumer shift towards the e-commerce channel, lower sales to smaller regional warehouse distributor customers, and macroeconomic conditions in the Brazilian market, which more than offset sales increases to our national warehouse distributor customers. Net sales in our industrial channel decreased approximately $4.0 million, primarily due to lower demand from our OE and warehouse distributor customers servicing energy and agricultural end markets. The remainder of the change in net sales was primarily due to unfavorable currency exchange as the Brazilian real weakened in relation to the U.S. dollar.

Horizon Americas' gross profit increased approximately $15.0 million to $131.3 million, or 29.6% of sales, in 2016, from approximately $116.3 million, or 27.1% of sales, in 2015, due to margin improvement and higher sales levels. Gross profit margin was positively impacted due to a favorable product sales mix within our automotive OE channel, as sales of our higher margin brake controllers and heavy duty towing products increased year-over-year. Further improving gross profit margin in 2016 were favorable commodity prices, lower labor input costs in our Mexican facilities as a result of a strengthened U.S. dollar in relation to the Mexican peso, and lower freight costs as we benefited from efforts to localize supply chain near our manufacturing facility.

Selling, general and administrative expenses increased approximately $2.3 million to $86.5 million, or 19.5% of sales, in 2016, as compared to $84.2 million, or 19.6% of sales, in 2015. Selling, general and administrative costs increased due to approximately $3.1 million in higher people costs primarily related to marketing and product design in support of growth initiatives within our e-commerce and retail channels, as well as $1.0 million in increased health insurance costs and $0.6 million related to the implementation of a new ERP system. These increases were partially offset by approximately $2.4 million of lower costs associated with combining our Cequent Consumer Products and Cequent Performance Products businesses.

Horizon Americas' operating profit increased approximately $8.4 million to $38.7 million, or 8.7% of sales, in 2016, from $30.3 million, or 7.1% of net sales, in 2015. Operating profit increased primarily due to favorable product sales mix and lower manufacturing input costs. These effects were partially offset by $4.4 million incremental expense related to the impairment of intangible assets and the disposal of property and equipment compared to 2015.

Horizon Asia-Pacific. Net sales increased approximately $6.6 million, or 6.9%, to $101.9 million in 2016, as compared to $95.3 million in 2015. Net sales were negatively impacted by approximately $0.8 million of unfavorable currency exchange. Net sales increased approximately $6.3 million in Australia, driven by increased volume and new program awards with existing OE customers, which outpaced weaker demand in Western Australia due to declining macroeconomic conditions. The remainder of the net sales increase is due to new program awards with OE customers in our New Zealand and Thailand businesses which more than offset the loss of an existing OE contract in Thailand.

Horizon Asia Pacific's gross profit increased approximately $3.4 million to $22.5 million, or 22.1% of net sales in 2016, from approximately $19.1 million, or 20.0% of net sales, in 2015. The improvement in gross profit year-over-year was driven by the higher sales volumes, cost savings and productivity initiatives in our Australia business. This improvement was partially offset by a large OEM recovery in Thailand during 2015 that did not reoccur in 2016.

Horizon Asia Pacific's selling, general and administrative expenses decreased approximately $0.2 million to $11.2 million, or 11.0% of net sales in 2016, as compared to $11.4 million, or 12.0% of net sales, in 2015. Selling, general and administrative expenses decreased by approximately $0.5 million due to lower costs associated with promotional activities compared to 2015, which was partially offset by an increase of $0.3 million in people costs primarily

resulting from increased sales levels.

Horizon Asia Pacific's operating profit increased approximately $3.5 million to $11.2 million, or 11.0% of net sales, in 2016, from $7.7 million, or 8.0% of net sales in 2015, primarily due to higher sales volumes and cost savings and productivity initiatives in our Australia business.

Horizon Europe-Africa. Net sales increased approximately $53.2 million, or 104.4%, to $104.1 million in 2016, as compared to $50.9 million in 2015. Approximately $54.5 million of the increase is attributable to the Westfalia Group acquisition in the fourth quarter of 2016. Net sales increased approximately $4.5 million in our legacy Germany and South Africa businesses driven by increased volume on existing programs and new program awards with existing automotive OE customers. These increases were partially offset by a decrease of approximately $0.8 million in the United Kingdom as a result of a strategic decision to discontinue a distribution partnership and a decrease of approximately $1.2 million in Finland due to weak economic conditions. Net sales were further negatively impacted by approximately $3.9 million of unfavorable currency exchange.

Table of Contents

Horizon Europe Africa's gross profit decreased approximately $1.1 million to $6.6 million, or 6.3% of net sales in 2016, from approximately $7.7 million, or 15.0% of net sales, in 2015. Gross profit was negatively impacted by approximately $0.6 million of unfavorable foreign currency exchange. Gross profit margin also decreased by $0.5 million in South Africa and the United Kingdom due to higher commodity prices and product input costs. Gross profit was marginally impacted by the Westfalia Group, as the net sales attributable to the Westfalia Group were offset by its cost of sales, which included approximately $6.7 million of amortization expense related to the fair value step-up of inventory as a result of purchase accounting.
Horizon Europe Africa's selling, general and administrative expenses increased approximately $9.7 million to $17.2 million, or 16.5% of net sales in 2016, as compared to $7.5 million, or 14.6% of net sales in 2015. Selling, general and administrative expenses increased by approximately $9.6 million attributable to the results of the Westfalia Group, which included approximately $1.4 million in transaction-related expenditures including professional fees and severance. Increased costs associated with establishing a management structure in the region were partially offset by approximately $0.7 million of favorable foreign currency exchange.
Horizon Europe Africa's operating loss increased approximately $13.2 million to $13.3 million, or 12.8% of net sales, in 2016, from an operating loss of $0.1 million, or 0.2% of net sales in 2015, primarily due to losses of approximately $9.6 million realized in the Westfalia Group resulting from the impacts of purchase accounting and transaction related expenditures. The operating loss was further increased by $2.3 million due to unfavorable foreign currency exchange. Impairment charges of approximately $2.4 million in 2016 more than offset the impacts of higher sales volumes in our legacy Germany and South Africa businesses as discussed above, as well as plant closure costs in Finland in 2015 that did not recur in 2016.
Corporate Expenses. Corporate expenses increased approximately $12.1 million to $30.3 million in 2016, as compared to $18.3 million in 2015. Corporate expenses increased approximately $9.4 million due to expenses related to the acquisition of Westfalia Group. The remaining increase is primarily related to the costs of operating as a standalone public company for a full year, versus only six months in 2015. For the first six months of 2015, the consolidated financial statements include expense allocations, related to the spin-off, for certain functions provided by our former parent; however, the allocations may not be comparable to the corporate expenses we incurred as a stand-alone company. Corporate expenses included in operating profit in the accompanying consolidated financial statements include amounts that were allocated to us on the basis of direct usage when identifiable, with the remainder allocated on the basis of revenue or headcount.

Year Ended December 31, 2015 Compared with Year Ended December 31, 2014

The principal factors impacting us during the year ended December 31, 2015 compared with the year ended December 31, 2014 were:

- the impact of foreign currency, as our reported results in U.S. dollars were overall negatively impacted as a result of the stronger U.S. dollar relative to certain foreign currencies, particularly in our Horizon Asia Pacific and Horizon Europe Africa reportable segments;
- our announcement of plans to close our manufacturing facility in Ciudad Juarez along with its distribution warehouse in El Paso, Texas;
- market dynamics surrounding the consolidation activities of our distribution customers; and
- development of our corporate cost structure as an independent public company.

Overall, net sales decreased approximately $36.3 million, or approximately 5.9%, to $575.5 million in 2015, as compared to $611.8 million in 2014. During 2015, net sales decreased in all of our reportable segments. Net sales within our Horizon Americas reportable segment were down approximately $20.0 million due to the consolidation of distribution centers of aftermarket channel customers, lower demand from energy and agricultural end market customers within the industrial channel and unfavorable currency exchange. Further, net sales within our Horizon Asia Pacific and Horizon Europe Africa reportable segments decreased by approximately $16.1 million and $7.4 million, respectively, due to unfavorable currency exchange and by approximately $1.3 million due to the loss of an

existing OE customer program within our Horizon Asia Pacific reportable segment. These decreases were partially offset by an increase in net sales of $7.2 million primarily due to increases in Horizon Americas' retail channel and increased OE customer demand and program awards in our South Africa business within the Horizon Europe Africa reportable segment.
Gross profit margin approximated 24.9% and 24.2% in 2015 and 2014, respectively. The overall increase in gross profit margin relates primarily to lower product and labor input costs and operational efficiencies in our Horizon Americas' Mexican facilities and improvements within our Horizon Europe Africa reportable segment related to higher sales volume in South Africa and improved margins in the United Kingdom. The increases in gross profit margin were partially offset by costs associated with integrating our Cequent Consumer Products and Cequent Performance Products business units, lower sales year-over-year in our higher margin OE and aftermarket product categories, higher material input costs in our Australia business and costs related to the closure of our facility in Finland.
Operating profit margin approximated 3.4% and 4.0% in 2015 and 2014, respectively. Operating profit decreased $4.9 million, or 20.0%, to $19.6 million in 2015 as compared to $24.5 million in 2014, primarily as a result of costs associated with integrating our Cequent Consumer Products and Cequent Performance Product business units, increased legal costs and lower sales levels. The decrease in operating profit margin was partially offset by reductions in compensation costs at all of our reportable segments and a favorable foreign currency impact at certain of our Horizon Asia Pacific locations.
Interest expense increased approximately $8.1 million, to $8.8 million in 2015, as compared to $0.7 million in 2014. Our June 30, 2015 launch as a public company was funded through a Term B Loan, while operating funds were provided by a revolving ABL Facility.
Other expense, net increased approximately $0.5 million to $3.7 million in 2015, from $3.2 million in 2014, primarily due to higher losses on transactions denominated in foreign currencies within certain of our Horizon Asia Pacific and Horizon Europe Africa locations.

The effective income tax rate for 2015 was (18.2)%, compared to 25.4% for 2014. The decrease was primarily due to the reversal of certain unrecognized tax contingencies, as a result of the expiration of applicable statute of limitations. Additionally, the overall effective tax rate for the period was reduced by the recognition of tax benefits associated with losses in certain jurisdictions with higher statutory tax rates.

Net income decreased approximately $7.1 million to $8.3 million in 2015, from $15.4 million in 2014. The decrease was primarily the result of a $4.9 million decrease in operating profit, a $8.1 million increase in interest expense and a $0.6 million increase in other expenses, partially offset by a $6.5 million decrease in income tax expense.

See below for a discussion of operating results by reportable segment.

Horizon Americas. Net sales decreased approximately $17.4 million, or 3.9%, to $429.3 million in 2015, as compared to $446.7 million in 2014, primarily due to year-over-year decreases within our aftermarket and industrial channels partially offset by increases in our retail channel and e-commerce customers. Net sales within our aftermarket channel decreased approximately $8.2 million primarily due to lower demand from our warehouse distributor customers as a result of consolidation of their distribution centers. Net sales within our industrial channel decreased approximately $6.6 million, primarily due to lower demand from our OE and warehouse distributor customers servicing energy and agricultural end markets. Net sales within our automotive OE channel decreased $1.7 million due to unplanned reductions in customer production days, a delayed product launch and lower take rates on automotive accessories with certain existing customers. Offsetting these declines was an increase in our retail channel of approximately $2.6 million. The growth within the retail channel was driven by existing automotive retail, home center and hardware stores, agriculture supply retail centers and e-commerce customers, and broom and brush and towing products roll-outs with home hardware customers, partially offset by $2.3 million of significant customer product roll-outs in 2014 that did not recur in 2015. Net sales were also negatively impacted by approximately $3.5 million of unfavorable currency exchange. Our other market channels remained relatively flat year-over-year.

Horizon Americas' gross profit decreased approximately $0.4 million to $116.3 million, or 27.1% of sales, in 2015, from approximately $116.7 million, or 26.1% of sales, in 2014, primarily due to lower sales levels in part due to distributor consolidation and lower demand within the industrial channel. Gross profit margin was favorably impacted by lower product and labor input costs in our Mexican facilities as a result of the strengthening U.S. dollar in relation to the Mexican peso, as well as operational efficiencies realized in our Mexican manufacturing facilities. Partially offsetting the margin improvements were approximately $4.3 million of costs recorded in 2015 associated with integrating our Cequent Consumer Products and Cequent Performance Products business units and lower sales year-over-year in our higher margin brake controllers in the OE and aftermarket categories.

Selling, general and administrative expenses decreased approximately $1.0 million to $84.2 million, or 19.6% of sales, in 2015, as compared to $85.2 million, or 19.1% of sales, in 2014. The decrease in 2015 is primarily due to reductions in compensation cost as a result of prior restructuring efforts and actions taken by the company to reduce indirect spending in response to lower sales levels. Offsetting these actions were increases of approximately $1.0 million in higher legal expenses associated with patent defense and ordinary course claims. Also during 2015, we incurred approximately $3.3 million of costs associated with integrating our Cequent Consumer Products and Cequent Performance Product business units.

Horizon Americas' operating profit decreased approximately $0.5 million to $30.3 million, or 7.1% of sales, in 2015, from $30.8 million, or 6.9% of net sales, in 2014, primarily due to lower sales levels and costs associated with integrating our Cequent Consumer Products and Cequent Performance Products divisions. Operating profit margin was positively impacted by operational efficiencies and lower input costs at our Mexican manufacturing facilities. Offsetting the gross margin improvements was approximately $1.1 million of higher disposals of property and equipment, primarily resulting from the write-off of costs associated with the implementation of software determined to be inadequate for the business and $7.6 million of costs associated with integrating our Cequent Consumer Products and Cequent Performance Products business units.

Horizon Asia Pacific. Net sales decreased approximately $15.7 million, or 14.1%, to $95.3 million in 2015, as compared to $111.0 million in 2014. Net sales were negatively impacted by approximately $16.1 million of unfavorable currency exchange. Overall sales increased in our Australia and New Zealand businesses by $1.8 million as new program awards with OE customers outpaced the loss of an existing OE contract and transfer of an OE program to our Thailand business to better serve our customer. Sales decreased in our Thailand business by $1.3 million due to the loss of an existing program with an OE customer that more than offset the transfer from Australia and new program awards.

Horizon Asia Pacific's gross profit decreased approximately $4.6 million to $19.1 million, or 20.0% of net sales in 2015, from approximately $23.7 million, or 21.3% of net sales, in 2014. Gross profit was negatively impacted by approximately $2.9 million of unfavorable foreign currency exchange. Gross profit was further adversely impacted by $3.2 million higher material input costs in our Australia business as a result of the weakening Australian dollar and an unfavorable product mix. These decreases were slightly offset by an increase due to an OEM recovery in Thailand.

Horizon Asia Pacific's selling, general and administrative expenses decreased approximately $3.6 million to $11.4 million, or 12.0% of sales in 2015, as compared to $15.0 million, or 13.5% of sales in 2014, which is primarily driven by a favorable currency impact of approximately $2.2 million. Reductions in compensation cost and other indirect spending, primarily in our Australian business, as a result of prior cost-saving efforts further contributed to the decline in selling, general and administrative expenses.

Horizon Asia Pacific's operating profit decreased approximately $1.3 million to $7.7 million, or 8.0% of sales, in 2015, from $9.0 million, or 8.1% of net sales in 2014, primarily due to currency exchange and higher material input costs in Australia.

Horizon Europe Africa. Net sales decreased approximately $3.2 million, or 5.9%, to $50.9 million in 2015, as compared to $54.1 million in 2014. Net sales were negatively impacted by approximately $7.4 million of unfavorable currency exchange. Net sales increased approximately $4.6 million in our South Africa business primarily due to increased demand from an existing OE customer and new program awards. The remaining change in net sales is attributed to our other business units in the Horizon Europe Africa segment, which remained relatively flat year-over-year.

Horizon Europe Africa's gross profit decreased approximately $0.1 million to $7.6 million, or 15.0% of net sales in 2015, from approximately $7.7 million, or 14.2% of net sales, in 2014. Gross profit was negatively impacted by approximately $1.0 million of unfavorable foreign currency exchange. Gross profit margin was further adversely impacted by costs of approximately $0.8 million in the second quarter related to the closure of our facility in Finland. These adverse impacts were partially offset by improved gross profit and gross profit margin in South Africa as a result of increased volume, and improved margin in our United Kingdom business driven by lower material input costs.

Horizon Europe Africa's selling, general and administrative expenses decreased approximately $1.2 million to $7.5 million, or 14.7% of sales in 2015, as compared to $8.7 million, or 16.1% of sales in 2014, which is primarily driven by a a favorable currency impact of approximately $1.0 million.

Horizon Europe Africa's operating loss decreased approximately $1.2 million to $0.1 million, or 0.2% of sales, in 2015, from an operation loss of $1.3 million, or 2.4% of net sales in 2014, primarily due to improved gross profit margins in South Africa and the United Kingdom.

Corporate Expenses. Corporate expenses increased approximately $4.3 million to $18.3 million in 2015, as compared to $14.0 million in 2014. The increase is primarily attributable to increased expenses related to operating as a standalone public company. For all periods prior to the spin-off, the consolidated financial statements include expense allocations, related to the spin-off, for certain functions provided by our former parent; however, the allocations may not be comparable to the corporate expenses we incurred as a stand-alone company. Corporate expenses included in operating profit in the accompanying consolidated financial statements include amounts that were allocated to us on the basis of direct usage when identifiable, with the remainder allocated on the basis of revenue or headcount.

Liquidity and Capital Resources

Our capital and working capital requirements are funded through a combination of cash flows from operations, cash on hand and various borrowings and factoring arrangements described below, including our asset-based revolving credit facility ("ABL

Table of Contents

Facility"). We utilize intercompany loans and equity contributions to fund our worldwide operations. See Note 10, “Long-term Debt" included in Item 8, "Financial Statements and Supplementary Data," within this Annual Report on Form 10-K. As of December 31, 2016 and 2015, there was $20.2 million and $10.5 million, respectively, of cash held at foreign subsidiaries. There may be country specific regulations which may restrict or result in increased costs in the repatriation of these funds.

Based on our current and anticipated levels of operations and the condition in our markets and industry, we believe that our cash on hand, cash flow from operations and availability under our ABL Facility will enable us to meet our working capital, capital expenditures, debt service and other funding requirements. However, our ability to fund our working capital needs, debt payments and other obligations, and to comply with financial covenants, including borrowing base limitations under our ABL Facility, depends on our future operating performance and cash flows and many factors outside of our control, including the costs of raw materials, the state of the automotive accessories market and financial and economic conditions and other factors. Any future acquisitions, joint ventures or other similar transactions will likely require additional capital and there can be no assurance that any such capital will be available to us on acceptable terms, if at all.

On February 1, 2017, the Company completed an underwritten public offering of 4.6 million shares of common stock, which included the exercise in full by the underwriters of their option to purchase 0.6 million shares of common stock, at a public offering price of $18.50 per share (the "Common Stock Offering"). Proceeds from the Common Stock Offering were approximately $79.7 million, net of underwriting discounts, commissions, and offering-related transaction costs.

Concurrently, the Company completed an underwritten public offering of $125.0 million aggregate principal amount, which included the exercise in full by the underwriters of their over-allotment option to purchase an additional $15.0 million principal amount, of 2.75% Convertible Senior Notes due 2022 (the "Convertible Notes" and the "Convertible Notes Offering", respectively). The Convertible Notes bear interest at a rate of 2.75% per annum, payable semiannually in arrears on January 1 and July 1 of each year, beginning on July 1, 2017. The Convertible Notes will mature on July 1, 2022, unless earlier converted in accordance with the terms prior to such date. Proceeds from the Convertible Notes Offering were approximately $119.2 million, net of underwriting discounts, commissions, and offering-related transaction costs. The Company used the net proceeds of the Common Stock Offering, along with a portion of the net proceeds from the Convertible Notes Offering, to repay $177.0 million of existing indebtedness under the Term B Loan.

Cash Flows - Operating Activities

Cash provided by operating activities in 2016 was approximately $35.4 million, as compared to $26.9 million in 2015. In 2016, the Company generated $20.0 million in cash flows, based on the reported net loss of $12.7 million and after considering the effects of non-cash items related to losses on dispositions of property and equipment, depreciation, amortization, intangible asset impairment, stock compensation, amortization of inventory step-up recorded as part of purchase accounting, changes in deferred income taxes, amortization of original issuance discount and debt issuance costs, and other, net. In 2015, the Company generated $26.4 million based on the reported net income of $8.3 million and after considering the effects of similar non-cash items.

Changes in operating assets and liabilities generated approximately $15.4 million and $0.5 million of cash in 2016 and 2015, respectively. Decreases in accounts receivable resulted in a net source of cash of $4.7 million in 2016, while increases in accounts receivable resulted in a use of cash of $5.5 million in 2015. The decrease in accounts receivable in 2016 was due to improved collection efforts and timing of sales within the fourth quarter. The increase in accounts receivable in 2015 compared to 2014 was due to the timing of sales and payments received, as a larger portion of sales were in December in 2015 compared to 2014.

Changes in inventory resulted in a net source of cash of $10.7 million in 2016, as compared to a use of cash of $30.0 thousand in 2015. The decrease in inventory in 2016 was primarily the result of improved inventory management, the reduction of safety stock held at December 31, 2015 to support the transition out of Juarez and El Paso facilities, and a manufacturing slow down near the end of the year in anticipation of a new ERP going live.

Changes in prepaid expenses and other assets resulted in a net use of cash of $6.3 million in 2016, as compared to a source of cash of approximately $0.1 million in 2015. The increase in prepaid expenses and other assets in 2016 was due to the timing of payments and renewals of contracts. Prepaid expenses and other assets in 2015 remained flat compared to 2014.

Changes in accounts payable and accrued liabilities resulted in a net use of cash of $6.3 million and $5.9 million in 2016 and 2015, respectively. The increase in accounts payable and accrued liabilities in 2016 was primarily related to the timing of payments made to suppliers, mix of vendors and related terms, as well as increases in certain compensation accruals primarily related to bonuses and severance payments. The increase in accounts payable and accrued liabilities in 2015 compared to 2014 was driven by the timing of payments.

Cash Flows - Investing Activities

Net cash used for investing activities in 2016 was approximately $108.4 million, as compared to $6.8 million in 2015. During 2016, we acquired businesses for total cash consideration paid of $94.4 million, net of cash acquired, the largest of which was the

acquisition of the Westfalia Group. In addition, we invested approximately $14.5 million in capital expenditures, as we have continued our investment in growth, capacity and productivity-related capital projects. Cash received from the disposition of assets was approximately $0.5 million in 2016. During 2015, we incurred approximately $8.3 million in capital expenditures and cash received from the disposition of assets was approximately $1.5 million, primarily from the sale of our business in Finland. We anticipate that we will spend approximately $30.6 million on capital expenditures in 2017.

Cash Flows - Financing Activities

Net cash provided by financing activities in 2016 was approximately $100.5 million, as compared to a net use of cash of $0.9 million in 2015. In 2016, we entered into an amendment to the Original Term B Loan to finance, in part, the acquisition of the Westfalia Group and received proceeds, net of repayments and transaction costs, of $138.2 million. We used $39.0 million of the Incremental Loans to repay Westfalia Group debt that we assumed as part of the acquisition. During 2015, cash used for financing activities was primarily related to the spin-off from our former parent company, including distributions to our former parent company of $214.5 million. This was partially offset by proceeds from our Term B Loan, net of transaction costs, of $187.8 million and transfers from our former parent of $27.6 million.

Factoring Arrangements

We have factoring arrangements with financial institutions to sell certain accounts receivable under non-recourse agreements. Total receivables sold under the factoring arrangements was approximately $20.7 million as of December 31, 2016. The Company had no factoring arrangements for the years ended December 31, 2015 and December 31, 2014. We utilize factoring arrangements as part of our financing for working capital. The costs of participating in these arrangements are immaterial to our results. Refer to Note 3, "Summary of Significant Accounting Policies" in Item 8, "Financial Statements and Supplementary Data," included within this Annual Report report on Form 10-K for additional information.

Our Debt and Other Commitments

We and certain of our subsidiaries are party to the ABL Facility, an asset-based revolving credit facility that provides for $99.0 million of funding on a revolving basis. The ABL Facility matures in June 2020 and bears interest on outstanding balances at variable rates as outlined in the credit agreement. On June 30, 2015, we entered into a term loan agreement (the "Original Term B Loan") under which we borrowed an aggregate amount of $200.0 million. On September 19, 2016, we entered into the First Amendment to the Original Term B Loan (the "Term Loan Amendment") which provided for incremental commitments in an aggregate principal amount of $152.0 million (the "Incremental Term Loans"), which amounts we borrowed and used to finance the cash portion of the purchase price and pay down debt assumed as part of the Westfalia Group acquisition. The Original Term B Loan and Incremental Term Loans are collectively referred to as the "Term B Loan". The Term B Loan matures in June 2021 and bears interest at variable rates in accordance with the credit agreement. Refer to Note 10, "Long-term Debt," in Item 8, "Financial Statements and Supplementary Data," included within this Annual Report report on Form 10-K for additional information.

At December 31, 2016 there was no balance outstanding on the ABL Facility and $337.0 million outstanding on the Term B Loan bearing interest at 7.00%.

The agreements governing the ABL Facility and Term B Loan contain various negative and affirmative covenants and other requirements affecting us and our subsidiaries, including restrictions on incurrence of debt, liens, mergers, investments, loans, advances, guarantee obligations, acquisitions, asset dispositions, sale-leaseback transactions, hedging agreements, dividends and other restricted payments, transactions with affiliates, restrictive agreements and amendments to charters, bylaws, and other material documents. The ABL Facility does not include any financial maintenance covenants other than a springing minimum fixed charge coverage ratio of at least 1.00 to 1.00 on a trailing twelve-month basis, which will be tested only upon the occurrence of an event of default or certain other conditions as specified in the agreement. The Term B Loan contains customary negative covenants, and also contains a financial maintenance covenant which requires us to maintain a net leverage ratio not exceeding 5.25 to 1.00

through the fiscal quarter ending September 30, 2017; 5.00 to 1.00 through the fiscal quarter ending March 31, 2018; 4.75 to 1.00 through the fiscal quarter ending September 30, 2018; and thereafter, 4.50 to 1.00. At December 31, 2016, we were in compliance with our financial covenants contained in the ABL Facility and the Term B Loan, respectively.

Our Australian subsidiary is party to a facility agreement consisting of an approximately $10.8 million revolving trade finance facility, which matures on November 30, 2017, is subject to interest at the Bank Bill Swap rate plus 1.90% and is secured by substantially all the assets of the subsidiary. No amounts were outstanding under the agreement at December 31, 2016, as well as December 31, 2015. Borrowings under this arrangement are also subject to financial and reporting covenants. Financial covenants include a working capital coverage ratio (working capital over total debt), a minimum tangible net worth calculation (total assets plus subordinated debt, less liabilities, intangible assets and goodwill) and an interest coverage ratio (EBIT over gross interest cost). We were in compliance with such covenants for all periods presented.

Table of Contents

We are subject to variable interest rates on our Term B Loan and ABL Facility. At December 31, 2016, 1-Month LIBOR and 3-Month LIBOR approximated 0.77% and 1.00%, respectively.

Principal payments required under the Original Term B Loan are $2.5 million due each calendar quarter beginning September 2015, with the remaining principal due on maturity, June 30, 2021. Principal payments required under the Incremental Term Loans are $2.1 million due each calendar quarter beginning March 2017. Commencing with the fiscal year ending December 31, 2016, and for each fiscal year thereafter, we may also be required to make prepayments of outstanding term loans under the Term B Loan in an amount equal to 50.0% of our excess cash flow for such fiscal year, as defined, subject to adjustments based on our leverage ratio and optional prepayments of term loans and certain other indebtedness.

In addition to our long-term debt, we have other cash commitments related to leases. We account for these lease transactions as operating leases and annual rent expense related thereto approximated $16.8 million for the year ended December 31, 2016. We expect to continue to utilize leasing as a financing strategy in the future to meet capital expenditure needs and to reduce debt levels.

The following is a reconciliation of net income, as reported, which is a U.S. GAAP measure of our operating results, to Consolidated Bank EBITDA, as defined in our credit agreement, for the year ended December 31, 2016. We present Consolidated Bank EBITDA to show our performance under our financial covenants.

	Year ended December 31, 2016 (dollars in thousands)		
Net loss attributable to Horizon Global	$	(12,360	)
Bank stipulated adjustments:			
Interest expense, net (as defined)	20,080		
Income tax benefit	(3,730		)
Depreciation and amortization	18,220		
Extraordinary charges	6,830		
Non-cash compensation expense[a]	3,860		
Other non-cash expenses or losses	16,460		
Pro forma EBITDA of permitted acquisition	13,910		
Interest-equivalent costs associated with any Specified Vendor Receivables Financing	1,200		
Items limited to 25% of consolidated EBITDA:			
Non-recurring expense[b]	4,190		
Acquisition integration costs[c]	4,290		
Synergies related to permitted acquisition[d]	12,500		
EBITDA limitation for non-recurring expenses[e]	(4,860		)
Consolidated Bank EBITDA, as defined	$	80,590	

	December 31, 2016 (dollars in thousands)
Total Consolidated Indebtedness	$ 288,140
Consolidated Bank EBITDA, as defined	80,590
Actual leverage ratio	3.58
Covenant requirement	5.25

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[a] Non-cash compensation expenses resulting from the grant of restricted units of common stock and common stock options.
[b] Under our credit agreement, costs and expenses related to cost savings projects, including restructuring and severance expenses, are not to exceed $5 million in any fiscal year and $20 million in aggregate, commencing on or after January 1, 2015.
[c]Under our credit agreement, costs and expenses related to the integration of the Westfalia Group acquisition, are not to exceed $10 million in any fiscal year and $30 million in aggregate.
[d]Under our credit agreement, the add back for the amount of reasonably identifiable and factually supportable "run rate" cost savings, operating expense reductions, and other synergies cannot exceed $12.5 million for the Westfalia Group acquisition.
[e] The amounts added to Consolidated Net Income pursuant to items in notes b-d shall not exceed 25% of Consolidated EBITDA, excluding these items, for such period.

Table of Contents

Refer to Note 10, "Long-term Debt," in Item 8, "Financial Statements and Supplementary Data," included within this Annual Report on Form 10-K for additional information.

Contractual Obligations

Under various agreements, we are obligated to make future cash payments in fixed amounts. These include payments under our long-term debt agreements, rent payments required under operating and capital lease agreements and interest obligations on our term loans.

The following table summarizes our contractual obligations over various future periods related to these items as of December 31, 2016.

	Payments Due by Periods				
	Total	Less than One Year	1 - 3 Years	3 - 5 Years	More than 5 Years
	(dollars in thousands)				
Contractual cash obligations:					
Long-term debt	$347,470	$18,220	$36,440	$282,360	$10,450
Lease obligations	65,200	16,910	25,940	15,420	6,930
Interest obligations	95,230	23,430	42,980	28,820	—
Deferred purchase price and contingent consideration	5,700	2,120	3,580	—	—
Total contractual obligations	$513,600	$60,680	$108,940	$326,600	$17,380

Interest on our ABL Facility is based on either (i) the Base Rate (as defined per the credit agreement, the "Base Rate") plus the Applicable Margin (as defined per the credit agreement "Applicable Margin"), or (ii) the London Interbank Offered Rate ("LIBOR") plus the Applicable Margin. As of December 31, 2016, we had $99 million available, subject to a borrowing base calculation, under our ABL Facility. As of December 31, 2016, there were no amounts outstanding on the ABL Facility. Interest on our Term B Loan is based, at our discretion, on either (i) the Base Rate plus 5% per annum, or (ii) LIBOR plus 6% per annum. We had $337.0 million aggregate principal amount outstanding bearing interest at 7.00% at December 31, 2016 on our Term B Loan. These rates were used to estimate our future interest obligations with respect to the long-term debt included in the table below.

We may be required to prepay a portion of our Term B Loan in an amount equal to 50.0% of our excess cash flow, as defined in the credit agreement, which such percentage is based on our leverage ratio, as defined. No amounts have been included in the contractual obligations table as a reasonable estimate cannot be determined.

As of December 31, 2016, we are contingently liable for standby letters of credit totaling $7.0 million issued on our behalf by financial institutions under our credit agreement. These letters of credit are used for a variety of purposes, including to support certain operating lease agreements, vendor payment terms and other subsidiary operating activities, and to meet various states' requirements to self-insure workers' compensation claims, including incurred but not reported claims.

The liability related to unrecognized tax benefits has been excluded from the contractual obligations table because a reasonable estimate of the timing and amount of cash flows from future tax settlements cannot be determined. For additional information, refer to Note 17, "Income Taxes," included in Item 8, "Financial Statements and Supplementary Data," within this Annual Report on Form 10-K.

Credit Rating

We and certain of our outstanding debt obligations are rated by Standard & Poor's and Moody's. On January 30, 2017, Moody's upgraded our prior rating of B2 to B1 for our $328 million ($352 million at time of rating, including the $152 million add-on) senior secured term loan, as presented in Note 10, "Long-term Debt" included in Item 8, "Financial Statements and Supplementary Data" within this Annual Report on Form 10-K. Moody's also maintained a B2 to our corporate family rating and our outlook as stable. On January 26, 2017, Standard & Poor's raised its corporate credit rating from B to B+ for our $328 million ($352 million at the time of the rating, including the $152 million

Incremental Term Loans) senior secured term loan. Standard & Poor's also maintained our B corporate credit rating and outlook as stable, while assigning a B- rating to our then proposed (at time of rating) Convertible Notes. If our credit ratings were to decline, our ability to access certain financial markets may become limited, our cost of borrowings may increase, the perception of us in the view of our customers, suppliers and security holders may worsen and as a result, we may be adversely affected.

Table of Contents

Outlook

Our global business remains susceptible to economic conditions that could adversely impact our business. While the U.S. and Asia-Pacific economies impacting our demand remain strong, and the European economy shows indications of improvement, global economic sentiment remains cautious given continued geopolitical uncertainty and foreign currency volatility. Additionally, we continue to evaluate the trade and tax policy discussions taking place in Washington, D.C. and the impact the ultimate legislation could have on our current operations. We believe the unique global footprint we enjoy in our market space will continue to benefit us as our OE customers continue to demonstrate a preference for stronger relationships with few suppliers. Additionally, while we believe that the continued consolidation in aftermarket distribution presents long-term opportunities for us given our strong brand positions, portfolio of product offerings, and existing customer relationships, our results of operations may be impacted by the closure and consolidation of customer warehouses in the short term.

We attempt to mitigate challenging external factors by executing productivity projects across our businesses which we believe will drive future margin expansion, including leveraging recent investments made to expand our European manufacturing footprint, global customer relationships and global manufacturing and distribution capabilities. We believe these initiatives will carry through 2017 and beyond and enhance our margins and business portfolio over time.

Our strategic priorities are to improve margins, reduce our leverage, and drive top line growth.

Impact of New Accounting Standards

See Note 2, "New Accounting Pronouncements," included in Item 8, "Financial Statements and Supplementary Data," within this Annual Report on Form 10-K.

Critical Accounting Estimates

The following discussion of accounting policies is intended to supplement the accounting policies presented in Note 3, "Summary of Significant Accounting Policies" included in Item 8, "Financial Statements and Supplementary Data," within this Annual Report on Form 10-K. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, our evaluation of business and macroeconomic trends, and information from other outside sources, as appropriate.

Revenue Recognition. Revenue is recognized when there is evidence of a sale, delivery has occurred or services have been rendered, the sales price is fixed or determinable and the collectability of receivables is reasonably assured. Net sales is comprised of gross revenues less estimates of expected returns, trade discounts and customer allowances, which include incentives such as cooperative advertising agreements, volume discounts and other supply agreements in connection with various programs. Such deductions are recorded during the period the related revenue is recognized.

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts to reflect management’s best estimate of probable credit losses inherent in our accounts receivable balances. Determination of the allowances requires management to exercise judgment about the timing, frequency and severity of credit losses that could materially affect the allowances for doubtful accounts and, therefore, net income. The level of the allowance is based on quantitative and qualitative factors including historical loss experience, delinquency trends, economic conditions and customer credit risk. We perform detailed reviews of our accounts receivable portfolio on at least a quarterly basis to assess the adequacy of the allowance. Over the past two years, the allowance for doubtful accounts has approximated 4.5% to 4.7% of gross accounts receivable. We do not believe that significant credit risk exists due to our diverse customer base.

Impairment of Long-Lived Assets and Definite-Lived Intangible Assets. We review, on at least a quarterly basis, the financial performance of each business unit for indicators of impairment. In reviewing for impairment indicators, we also consider events or changes in circumstances such as business prospects, customer retention, market trends, potential product obsolescence, competitive activities and other economic factors. An impairment loss is recognized

when the carrying value of an asset group exceeds the future net undiscounted cash flows expected to be generated by that asset group. The impairment loss recognized is the amount by which the carrying value of the asset group exceeds its fair value.

Goodwill and Indefinite-Lived Intangibles. We assess goodwill and indefinite-lived intangible assets for impairment at the reporting unit level on an annual basis as of October 1, after the annual forecasting process is complete. More frequent evaluations may be required if we experience changes in our business climate or as a result of other triggering events that take place. If the carrying value exceeds fair value, the asset is considered impaired and is reduced to fair value.

We determine our reporting units at the individual operating segment level, or one level below, when there is discrete financial information available that is regularly reviewed by segment management for evaluating operating results. Our operating results are organized by management into operating segments by geography. We have determined that we have three reportable segments

Table of Contents

as defined in generally accepted accounting principles for segment reporting: (i) Horizon Americas, consisting of our operations in North and South America, (ii) Horizon Asia Pacific, consisting of our operations in the Asia Pacific region, and (iii) Horizon Europe Africa, consisting of our operations in the Europe and Africa regions. We have determined that that our businesses in each of our operating segments are components that are aggregated into three geographical reporting units for the purpose of the goodwill and indefinite-lived intangible impairment testing, as they offer similar products and services, have similar target markets and customers, and have similar distribution practices. Furthermore, the segment managers do not regularly review financial information at a level lower than the three geographical operating segments described above. As such, the geographical reporting units are Horizon Americas, Horizon Asia Pacific, and Horizon Europe Africa. There is no goodwill recorded in our Horizon Asia Pacific reportable segment.

The goodwill in the Horizon Americas reportable segment was subjected to our annual goodwill impairment test as of October 1, 2016. For purposes of the goodwill test, we prepared a qualitative assessment (Step Zero) of the carrying value of goodwill using the criteria in ASC 350-20-35-3 to determine whether it is more likely than not that a reporting unit's fair value is less than its carrying value. In performing the Step Zero assessment, we considered relevant events and circumstances that could affect the fair value or carrying amount of the Company's reporting units, such as macroeconomic conditions, industry and market considerations, overall financial performance, entity and reporting unit specific events and capital markets pricing. We also considered the 2015 annual goodwill impairment test results, where the estimated fair value of each of the Company's reporting units with goodwill exceeded the carrying value by more than 100%. Based on the Step Zero analysis performed, we do not believe that it is more likely than not that the that the fair value of a reporting unit is less than its carrying amount; therefore, we determined that Steps I and II are not required for the 2016 goodwill impairment test.

The goodwill included in our Horizon Europe Africa reportable segment relates to the acquisition of the Westfalia Group, which was initially measured in accordance to ASC 805, "Business Combinations." We believe that there have been no changes in the business climate or other triggering event that has taken place since the date of acquisition. Therefore, we do not believe it is more likely than not that the fair value of the goodwill recognized from the acquisition is less than its carrying amount.

We conducted the annual indefinite-lived intangible asset impairment tests as of October 1, 2016. For purposes of the indefinite-lived intangible asset impairment test, we applied the relief from royalty method to estimate the fair value of the indefinite-lived intangible assets. Upon completion of our annual indefinite-lived intangible asset impairment test, we determined that certain of the Company's indefinite-lived intangible assets had a carrying value in excess of its fair value. Refer to Note 6, "Goodwill and Other Intangible Assets" in Item 8, "Financial Statements and Supplementary Data," included within this Annual Report report on Form 10-K for additional information.

Sales Related Accruals. Net sales is comprised of gross revenues less estimates of expected returns, trade discounts and customer allowances, which include incentives for items such as cooperative advertising agreements, volume discounts and other supply agreements in connection with various customer programs. On at least a quarterly basis, we perform detailed reviews of our sales related accruals by evaluating specific customer contractual commitments, assessing current incentive programs and other relevant information in order to assess the adequacy of the reserve. Reductions to revenue and estimated accruals are recorded in the period in which revenue is recognized.

Income Taxes. We compute income taxes using the asset and liability method, whereby deferred income taxes using current enacted tax rates are provided for the temporary differences between the financial reporting basis and the tax basis of assets and liabilities and for operating loss and tax credit carryforwards. We determine valuation allowances based on an assessment of positive and negative evidence on a jurisdiction-by-jurisdiction basis and record a valuation allowance to reduce deferred tax assets to the amount more likely than not to be realized. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We record interest and penalties related to unrecognized tax benefits in income tax expense.

Self-insurance. TriMas was generally self-insured for losses and liabilities related to workers’ compensation, health and welfare claims and comprehensive general, product and vehicle liability. Liabilities associated with the risks are estimated by considering historical claims experience and other actuarial assumptions. Prior to spin-off, Horizon as a component of TriMas indirectly participated in these self-insurance plans and has been allocated a portion of the related expenses and liabilities for the periods presented prior to the spin-off. Following the spin-off, we continued to participate in TriMas' health and welfare plan and reimbursed them for claims paid on our behalf through December 31, 2015. Beginning January 1, 2016, the Company was no longer self-insured for health and welfare benefits. We instituted self-insurance plans for losses and liabilities related to workers' compensation and comprehensive general, product and vehicle liability at the time of spin-off. Beginning on July 1, 2016 the Company is fully insured for workers' compensation and retains no liability for claims under the new plan. Reserves for claims losses, including an estimate of related litigation defense costs, are recorded based upon the Company's estimates of the aggregate liability for claims incurred using actuarial assumptions about future events. Changes in assumptions for factors such as actual experience could cause these estimates to change.

Table of Contents

Emerging Growth Company

The JOBS Act establishes a class of company called an "emerging growth company," which generally is a company whose initial public offering was completed after December 8, 2011 and had total annual gross revenues of less than $1 billion during its most recently completed fiscal year. We currently qualify as an emerging growth company.

As an emerging growth company, we are eligible to take advantage of certain exemptions from various reporting requirements that are not available to public reporting companies that do not qualify for this classification, including without limitation the following:

An emerging growth company is exempt from any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and financial statements, commonly known as an "auditor discussion and analysis."

An emerging growth company is not required to hold a nonbinding advisory stockholder vote on executive compensation or any golden parachute payments not previously approved by stockholders.

An emerging growth company is not required to comply with the requirement of auditor attestation of management's assessment of internal control over financial reporting, which is required for other public reporting companies by Section 404 of the Sarbanes-Oxley Act.

An emerging growth company is eligible for reduced disclosure obligations regarding executive compensation in its periodic and annual reports, including without limitation exemption from the requirement to provide a compensation discussion and analysis describing compensation practices and procedures.

A company that is an emerging growth company is eligible for reduced financial statement disclosure in registration statements, which must include two years of audited financial statements rather than the three years of audited financial statements that are required for other public reporting companies.

For as long as we continue to be an emerging growth company, we expect that we will take advantage of the reduced disclosure obligations available to us as a result of this classification. We will remain an emerging growth company until the earlier of (i) December 31, 2020, the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement under the Securities Act; (ii) the last day of the fiscal year in which we have total annual gross revenues of $1 billion or more; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under applicable SEC rules. We expect that we will remain an emerging growth company for the foreseeable future, but cannot retain our emerging growth company status indefinitely and will no longer qualify as an emerging growth company on or before December 31, 2020.

Emerging growth companies may elect to take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to "opt out" of such extended transition period, and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for companies that are not "emerging growth companies." Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

Table of Contents

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to market risk associated with fluctuations in interest rates, commodity prices, insurable risks due to property damage, employee and liability claims, and other uncertainties in the financial and credit markets, which may impact demand for our products.

We conduct business in various locations throughout the world and are subject to market risk due to changes in the value of foreign currencies. The functional currencies of our foreign subsidiaries are primarily the local currency in the country of domicile. We manage these operating activities at the local level and revenues and costs are generally denominated in local currencies; however, results of operations and assets and liabilities reported in U.S. dollars will fluctuate with changes in exchange rates between such local currencies and the U.S. dollar. A 10% change in average exchange rates versus the U.S. Dollar would have resulted in an approximate $21.4 million change to our revenues for the year ended December 31, 2016.

We are exposed to market risk from changes in the interest rates on a significant portion of our outstanding debt. Outstanding balances under our Term B Loan, at the Company's election, bear interest at variable rates based on a margin over defined LIBOR. Based on the amount outstanding on the Term B Loan as of December 31, 2016, a 100 basis point change in LIBOR would result in an approximate $2.6 million change to our annual interest expense.

We use derivative financial instruments to manage our currency risks. We are also subject to interest risk as it relates to long-term debt, for which we may prospectively employ derivative instruments such as interest rate swaps to mitigate the risk of variable interest rates. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," for details about our primary market risks, and the objectives and strategies used to manage these risks. Also see Note 10, "Long-term Debt," and Note 11, "Derivative Instruments," included in Item 8, "Financial Statements and Supplementary Data," within this Annual Report on Form 10-K for additional information.

Table of Contents

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Horizon Global Corporation
Troy, MI

We have audited the accompanying consolidated balance sheets of Horizon Global Corporation and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income (loss), comprehensive income (loss), cash flows, and shareholders' equity for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Horizon Global Corporation and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, prior to June 30, 2015, the accompanying consolidated financial statements have been prepared from the separate records maintained by TriMas Corporation and may not necessarily be indicative of the financial condition, or results of operations and cash flows that would have existed had the Company been operated as a stand-alone company during the periods prior to June 30, 2015 presented. For the period subsequent June 30, 2015, the consolidated financial statements are derived from the historical accounting records of Horizon Global Corporation on a stand-alone basis.

/s/ Deloitte & Touche LLP

Detroit, Michigan
March 10, 2017

Table of Contents

Horizon Global Corporation
Consolidated Balance Sheets
(Dollars in thousands)

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$50,240	$23,520
Receivables, net	77,570	63,050
Inventories	146,020	119,470
Prepaid expenses and other current assets	12,160	5,120
Total current assets	285,990	211,160
Property and equipment, net	93,760	45,890
Goodwill	120,190	4,410
Other intangibles, net	86,720	56,020
Deferred income taxes	9,370	4,500
Other assets	17,340	9,600
Total assets	$613,370	$331,580
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities, long-term debt	$22,900	$10,130
Accounts payable	111,450	78,540
Accrued liabilities	63,780	39,820
Total current liabilities	198,130	128,490
Long-term debt	327,040	178,610
Deferred income taxes	25,730	2,910
Other long-term liabilities	30,410	19,570
Total liabilities	581,310	329,580
Commitments and contingent liabilities	—	—
Shareholders' equity:		
Preferred stock $0.01 par: Authorized 100,000,000 shares; Issued and outstanding: None	—	—
Common stock, $0.01 par: Authorized 400,000,000 shares; Issued and outstanding: 20,899,959 shares at December 31, 2016 and 18,131,865 shares at December 31, 2015	210	180
Paid-in capital	54,800	1,260
Accumulated deficit	(14,310)	(1,910)
Accumulated other comprehensive income (loss)	(8,340)	2,470
Total Horizon Global shareholders' equity	32,360	2,000
Noncontrolling interest	(300)	—
Total shareholders' equity	32,060	2,000
Total liabilities and shareholders' equity	$613,370	$331,580

The accompanying notes are an integral part of these financial statements.

Table of Contents

Horizon Global Corporation
Consolidated Statements of Income (Loss)
(Dollars in thousands, except per share amounts)

	Year ended December 31,		
	2016	2015	2014
Net sales	$649,200	$575,510	$611,780
Cost of sales	(488,850)	(432,470)	(463,690)
Gross profit	160,350	143,040	148,090
Selling, general and administrative expenses	(145,150)	(121,350)	(122,890)
Net loss on dispositions of property and equipment	(540)	(2,120)	(740)
Impairment of intangible assets	(8,360)	—	—
Operating profit	6,300	19,570	24,460
Other expense, net:			
Interest expense	(20,080)	(8,810)	(720)
Other expense, net	(2,610)	(3,740)	(3,150)
Other expense, net	(22,690)	(12,550)	(3,870)
Income (loss) before income tax	(16,390)	7,020	20,590
Income tax benefit (expense)	3,730	1,280	(5,240)
Net income (loss)	(12,660)	$8,300	$15,350
Less: Net (loss) attributable to noncontrolling interest	(300)	—	—
Net income (loss) attributable to Horizon Global	$(12,360)	$8,300	$15,350
Net income (loss) per share attributable to Horizon Global:			
Basic	$(0.66)	$0.46	$0.85
Diluted	$(0.66)	$0.46	$0.85
Weighted average common shares outstanding:			
Basic	18,775,500	18,064,491	18,062,027
Diluted	18,775,500	18,160,852	18,113,416

The accompanying notes are an integral part of these financial statements.

Table of Contents

Horizon Global Corporation
Consolidated Statements of Comprehensive Income (Loss)
(Dollars in thousands)

	Year ended December 31,		
	2016	2015	2014
Net income (loss)	$(12,660)	$8,300	$15,350
Other comprehensive loss, net of tax:			
Foreign currency translation	(10,590)	(9,510)	(7,240)
Derivative instruments (Note 11)	(220)	(640)	(70)
Total other comprehensive loss	(10,810)	(10,150)	(7,310)
Total comprehensive income (loss)	(23,470)	(1,850)	8,040
Comprehensive (loss) attributable to noncontrolling interest	(300)	—	—
Comprehensive income (loss) attributable to Horizon Global	$(23,170)	$(1,850)	$8,040

The accompanying notes are an integral part of these financial statements.

Table of Contents

Horizon Global Corporation
Consolidated Statements of Cash Flows
(Dollars in thousands)

	Year ended December 31,		
	2016	2015	2014
Cash Flows from Operating Activities:			
Net income (loss)	$(12,660)	$8,300	$15,350
Adjustments to reconcile net income (loss) to net cash provided by operating activities, net of acquisition impact:			
Net loss on dispositions of property and equipment	540	2,120	740
Impairment of intangible assets	8,360	—	—
Depreciation	10,260	9,740	11,380
Amortization of intangible assets	7,960	7,340	7,550
Amortization of original issuance discount and debt issuance costs	2,090	830	—
Deferred income taxes	(8,430)	(4,920)	(2,720)
Non-cash compensation expense	3,860	2,530	2,660
Amortization of purchase accounting inventory step-up	6,680	—	—
(Increase) decrease in receivables	4,740	(5,460)	(3,940)
(Increase) decrease in inventories	10,650	(30)	(210)
(Increase) decrease in prepaid expenses and other assets	(6,300)	140	1,080
Increase (decrease) in accounts payable and accrued liabilities	6,300	5,870	(4,440)
Other, net	1,360	450	560
Net cash provided by operating activities	35,410	26,910	28,010
Cash Flows from Investing Activities:			
Capital expenditures	(14,540)	(8,320)	(11,440)
Acquisition of businesses, net of cash acquired	(94,370)	—	—
Net proceeds from disposition of property and equipment	470	1,510	330
Net cash used for investing activities	(108,440)	(6,810)	(11,110)
Cash Flows from Financing Activities:			
Proceeds from borrowing on credit facilities	41,820	119,340	175,560
Repayments of borrowings on credit facilities	(40,200)	(118,890)	(175,900)
Proceeds from Term B Loan, net of issuance costs	148,180	192,820	—
Repayments of borrowings on Term B Loan	(10,000)	(5,000)	—
Proceeds from ABL Facility, net of issuance costs	118,430	57,120	—
Repayments of borrowings on ABL Facility	(118,430)	(59,430)	—
Repayments of Westfalia Group debt	(39,000)	—	—
Cash dividend paid to former parent	—	(214,500)	—
Net transfers (to) from former parent	—	27,630	(18,720)
Other, net	(300)	—	—
Net cash provided by (used for) financing activities	100,500	(910)	(19,060)
Effect of exchange rate changes on cash	(750)	(1,390)	—
Cash and Cash Equivalents:			
Increase (decrease) for the year	26,720	17,800	(2,160)
At beginning of year	23,520	5,720	7,880
At end of year	$50,240	$23,520	$5,720
Supplemental disclosure of cash flow information:			
Cash paid for interest	$17,330	$7,870	$590

Non-cash investing/financing activities:			
Non-cash equity issuance for acquisition of businesses	$49,960	$—	$—

The accompanying notes are an integral part of these financial statements.

Table of Contents

Horizon Global Corporation
Consolidated Statements of Shareholders' Equity
(Dollars in thousands)

	Common Stock	Paid-in Capital	Parent Company Investment	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Horizon Global Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Balances at December 31, 2013	$ —	$—	$ 181,510	$—	$ 14,700	$ 196,210	$ —	$ 196,210
Net income	—	—	15,350	—	—	15,350	—	15,350
Other comprehensive loss, net of tax	—	—	—	—	(7,310)	(7,310)	—	(7,310)
Net transfers to former parent	—	—	(16,060)	—	—	(16,060)	—	(16,060)
Balances at December 31, 2014	$ —	$—	$ 180,800	$—	$ 7,390	$ 188,190	$ —	$ 188,190
Net income	—	—	3,680	4,620	—	8,300	—	8,300
Other comprehensive loss, net of tax	—	—	—	—	(10,150)	(10,150)	—	(10,150)
Issuance of common stock	180	—	(180)	—	—	—	—	—
Net transfers from former parent	—	—	23,670	—	5,230	28,900	—	28,900
Cash dividend paid to former parent	—	—	(214,500)	—	—	(214,500)	—	(214,500)
Non-cash compensation expense	—	1,260	—	—	—	1,260	—	1,260
Reclassification of net parent investment to accumulated deficit	—	—	6,530	(6,530)	—	—	—	—
Balances at December 31, 2015	$ 180	$ 1,260	$—	$ (1,910)	$ 2,470	$ 2,000	$ —	$ 2,000
Net loss	—	—	—	(12,360)	—	(12,360)	(300)	(12,660)
Other comprehensive loss, net of tax	—	—	—	—	(10,810)	(10,810)	—	(10,810)
Issuance of common stock	30	49,930	—	—	—	49,960	—	49,960
Shares surrendered upon vesting of employees' share based payment awards to cover tax obligations	—	(330)	—	—	—	(330)	—	(330)
Exercise of stock options	—	40	—	—	—	40	—	40
	—	3,860	—	—	—	3,860	—	3,860

Non-cash compensation expense								
Impact of adoption of new accounting guidance related to stock based compensation	—	40	—	(40)	—	—	—	—
Balances at December 31, 2016	$ 210	$ 54,800	$ —	$ (14,310)	$ (8,340)	$ 32,360	$ (300)	$ 32,060

The accompanying notes are an integral part of these financial statements.

45

Table of Contents

HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Horizon Global Corporation ("Horizon," "Horizon Global" or the "Company") is a global designer, manufacturer and distributor of a wide variety of high quality, custom-engineered towing, trailering, cargo management and other related accessories. These products are designed to support original equipment manufacturers ("OEMs"), original equipment suppliers ("OESs"), aftermarket and retail customers within the agricultural, automotive, construction, horse/livestock, industrial, marine, military, recreational, trailer and utility markets. The Company groups its operating segments into reportable segments by the region in which sales and manufacturing efforts are focused. The Company's reportable segments are Horizon Americas, Horizon Asia Pacific and Horizon Europe Africa. See Note 16, "Segment Information," for further information on each of the Company's reportable segments.

On June 30, 2015, Horizon became an independent company as a result of the distribution by TriMas Corporation ("TriMas" or "former parent") of 100 percent of the outstanding common shares of Horizon Global to TriMas shareholders (the "spin-off"). Each TriMas shareholder of record as of the close of business on June 25, 2015 (the "Record Date") received two Horizon Global common shares for every five TriMas common shares held as of the Record Date. The spin-off was completed on June 30, 2015 and was structured to be tax-free to both TriMas and Horizon Global shareholders.

On July 1, 2015, Horizon Global common shares began regular trading on the New York Stock Exchange under the ticker symbol "HZN". Pursuant to the separation and distribution agreement with TriMas, on June 30, 2015, the Company paid a cash dividend to TriMas of $214.5 million.

Horizon qualifies as an "emerging growth company" as defined in the Jumpstart our Business Startups Act of 2012 ("JOBS Act"), and, therefore, will be subject to reduced reporting requirements. The JOBS Act also provides that an "emerging growth company" can utilize the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933 (the "Securities Act"), for complying with new or revised accounting standards. However, the Company has chosen to "opt out" of such extended transition period, and, as a result, the Company will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for companies that are not "emerging growth companies." Section 107 of the JOBS Act provides that the Company's decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

The accompanying consolidated financial statements for periods prior to the spin-off are derived from TriMas' historical accounting records on a carve-out basis. For the periods subsequent to the spin-off, the consolidated financial statements are derived from the historical accounting records of Horizon on a stand-alone basis. As such, the consolidated statements of income (loss), consolidated statement of comprehensive income (loss) and consolidated statement of cash flows for the year ended December 31, 2016 consist of the consolidated results of Horizon on a stand-alone basis. The consolidated financial statements for the year ended December 31, 2015 consist of the consolidated results of Horizon on a stand-alone basis for the six months ended December 31, 2015, and the consolidated results of operations of Horizon as historically managed under TriMas, on a carve-out basis, for the six months ended June 30, 2015. For the year ended December 31, 2014 the consolidated financial statements consist entirely of the results of Horizon as historically managed under TriMas, on a carve-out basis.

For periods prior to the separation, the consolidated financial statements include expense allocations for certain functions provided by our former parent; however, the allocations may not reflect the expenses the Company would have incurred as an independent, publicly traded company for the periods presented. These expenses were allocated to the Company on the basis of direct usage when identifiable, with the remainder allocated on the basis of revenue or headcount. Transactions historically treated as intercompany between the Company and our former parent have been included in these consolidated financial statements and were considered effectively settled for cash at the time of the spin-off.

2. New Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). ASU 2017-04 eliminates the requirement to perform a hypothetical purchase price allocation to measure the amount of goodwill impairment. Instead, under ASU 2017-04, the goodwill impairment would be the amount by which a reporting unit's carrying value exceeds its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019 with early adoption permitted. The Company is in the process of assessing the impact of adoption of ASU 2017-04 on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." ASU 2016-16 provides an amendment to the accounting guidance related to the recognition of income tax consequences of an intra-entity transfer of an asset other than inventory. This guidance is effective for public entities for fiscal years beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted the first interim period of a fiscal year and should be applied on a modified retrospective basis. Under the new guidance, an entity is required to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Under the current guidance, the income tax effects are deferred until the asset has been sold to an outside party. The Company is in the process of assessing the impact of the adoption of ASU 2016-16 on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 simplifies several aspects of share-based payment award transactions including: income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This guidance is effective for public entities for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company adopted this guidance in June 30, 2016. The provisions related to forfeitures were adopted on a modified retrospective basis to record actual forfeitures as they occur, which required us to reflect any adjustments as of January 1, 2016, the beginning of the annual period that includes the interim period of adoption. The net cumulative effect of this change was recognized as a $40 thousand increase of accumulated deficit with a corresponding increase in paid-in capital on our consolidated balance sheet as of December 31, 2016. The provisions related to income taxes and the statement of cash flows were adopted on a prospective basis and did not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", which supersedes the leases requirements in "Leases (Topic 840)." The objective of this update is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted. The Company is in the process of assessing the impact of the adoption of ASU 2016-02 on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." This guidance provides that inventory not measured using the last-in, first out ("LIFO") or retail inventory methods should be measured at the lower of cost and net realizable value. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory. For public business entities, the amendment is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. This amendment should be applied prospectively. Application of the update is not expected to have a material impact on the Company's consolidated financial position or results of operations.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." This guidance requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 was originally effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2016; however, in August 2015, the FASB approved a one-year deferral of the effective date through the issuance of ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date." Subsequent to the issuance of ASU 2014-09, the FASB has issued several ASUs such as ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, and ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients among others. These ASUs do not change the core principle of the guidance stated in ASU 2014-09, instead these amendments are intended to clarify and improve operability of certain topics included within the revenue standard. These ASUs will have the same effective date and transition requirements as ASU 2014-09. The Company continues to assess the overall impact of the adoption of ASU

2014-09 on the consolidated financial statements, and anticipate testing the new controls and processes designed to comply with ASU 2014-09 throughout 2017 to permit adoption by January 1, 2018. The Company expects to adopt the ASUs using a cumulative-effect adjustment as of the date of adoption.
3. Summary of Significant Accounting Policies
Principles of Consolidation. The consolidated financial statements include the assets, liabilities, revenues and expenses of Horizon Global and its subsidiaries as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014. As a result of an acquisition described in Note 4, "Acquisitions", Horizon Global determined that it is the primary beneficiary of a variable interest entity ("VIE"). The consolidated financial statements include the assets and liabilities of the VIE at December 31, 2016 and the revenues and expenses of the VIE for the period beginning October 1, 2016. Intercompany transactions have been eliminated.
Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, goodwill and other intangibles, valuation allowances for receivables, inventories and deferred income tax assets, valuation of derivatives, estimated future unrecoverable lease costs, estimated unrecognized tax benefits, legal and product liability matters, assets and obligations related to employee benefits and allocated expenses, and the respective allocation methods. Actual results may differ from such estimates and assumptions.
Cash and Cash Equivalents. The Company considers cash on hand and on deposit and investments in all highly liquid debt instruments with initial maturities of three months or less to be cash and cash equivalents.
Account Receivables. Receivables are presented net of allowances for doubtful accounts of approximately $3.8 million and $3.0 million at December 31, 2016 and 2015, respectively. The Company monitors its exposure for credit losses and maintains allowances for doubtful accounts based upon the Company's best estimate of probable losses inherent in the accounts receivable balances. The Company does not believe that significant credit risk exists due to its diverse customer base.
Account Receivables Factoring. The Company has factoring arrangements with financial institutions to sell certain accounts receivable under non-recourse agreements. Total receivables sold under the factoring arrangements was approximately $20.7 million as of December 31, 2016. The sales of accounts receivable in accordance with the factoring arrangements are reflected as a reduction of Receivables, net in the consolidated balance sheets as they meet the applicable criteria of Accounting Standards Codification ("ASC") 860, "Transfers and Servicing." The holdback amount due from the factoring institutions was approximately $3.0 million as of December 31, 2016, and is shown in Receivables, net in the consolidated balance sheets. Cash proceeds from these arrangements are included in the change in receivables under the operating activities section of the consolidated statements of cash flows. The Company pays factoring fees associated with the sale of receivables based on the dollar value of the receivables sold. Such fees are not material for the year ended December 31, 2016. The Company had no factoring arrangements for the years ended December 31, 2015 and December 31, 2014.
Inventories. Inventories are stated at the lower of cost or market, with cost determined using the first-in, first-out method. Direct materials, direct labor and allocations of variable and fixed manufacturing-related overhead are included in inventory cost.
Property and Equipment. Property and equipment additions, including significant improvements, are recorded at cost. Upon retirement or disposal of property and equipment, the cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in the accompanying statements of income (loss). Repair and maintenance costs are charged to expense as incurred.
Depreciation and Amortization. Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Annual depreciation rates are as follows: building and land/building improvements 10 to 40 years, and machinery and equipment, three to 15 years. Customer relationship intangibles are amortized over periods ranging from five to 25 years, while technology and other intangibles are amortized over periods ranging from three to 15 years. Capitalized debt issuance costs are amortized over the underlying terms of the related debt.

Impairment of Long-Lived Assets and Definite-Lived Intangible Assets. The Company reviews, on at least a quarterly basis, the financial performance of each business unit for indicators of impairment. In reviewing for impairment indicators, the Company also considers events or changes in circumstances such as business prospects, customer retention, market trends, potential product obsolescence, competitive activities and other economic factors. An impairment loss is recognized when the carrying value of an asset group exceeds the future net undiscounted cash flows expected to be generated by that asset group. The impairment loss recognized is the amount by which the carrying value of the asset group exceeds its fair value.

Goodwill. Goodwill relating to a single business reporting unit is included as an asset of the applicable segment. Goodwill arising from major acquisitions that involve multiple reportable segments is allocated to the reporting units based on the relative fair value of the reporting unit. The Company determines its reporting units at the individual operating segment level, or one level below, when there is discrete financial information available that is regularly reviewed by segment management for evaluating operating results. For purposes of the Company's 2016 goodwill impairment test, the Company had three reporting units within its three reportable segments, two of which had goodwill.

Goodwill is reviewed by the Company for impairment on a reporting unit basis annually on October 1st or more frequently if indicators are present or changes in circumstances suggest that impairment may exist. The Company performs a qualitative assessment (Step Zero) of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount. If not, no further goodwill impairment testing is performed. If so, the Company performs testing for possible impairment in a two-step process. In the first step, the fair value of a reporting unit is compared with its carrying value, including goodwill. If fair value exceeds the carrying value, goodwill is not considered to be impaired. If the fair value of a reporting unit is below the carrying value, then step two is performed to measure the amount of the goodwill impairment loss for the reporting unit. This analysis requires the determination of the fair value of all of the individual assets and liabilities of the reporting unit, as if the reporting unit had been purchased on the analysis date.

The Company prepared a qualitative assessment (Step Zero) of the carrying value of goodwill using the criteria in ASC 350-20-35-3 to determine whether it is more likely than not that a reporting unit's fair value is less than its carrying value. Based on the Step Zero analysis performed, the Company does not believe that it is more likely than not that the that the fair value of a reporting unit is less than its carrying amount; therefore, the first and second steps are not required for the 2016 goodwill impairment test.

If additional impairment testing were necessary, the Company would have estimated the fair value of each of the reporting units utilizing a weighting of the income approach and the market approach. The fair value under the income approach is calculated as the present value of estimated cash flows discounted using a risk-free market rate adjusted for a market participant's view of similar companies and perceived risks in cash flows. The fair value under the market approach is calculated using market multiples for peer groups applied to the operating results of the reporting units to determine fair value. The implied fair value of goodwill is then determined by subtracting the fair value of all identifiable net assets other than goodwill from the fair value of the reporting units, with an impairment charge recorded for the excess, if any, of the carrying amount of goodwill over the implied fair value.

Indefinite-Lived Intangibles. The Company assesses indefinite-lived intangible assets, primarily trademarks and trade names, for impairment annually on October 1st by reviewing relevant quantitative factors. More frequent evaluations may be required if the Company experiences changes in its business climate or as a result of other triggering events that take place.

Indefinite-lived assets are tested for impairment by comparing the fair value of each intangible asset with its carrying value. The value of indefinite-lived assets are based on the present value of projected cash flows using a relief from royalty approach. If the carrying value exceeds fair value, the intangible asset is considered impaired and is reduced to fair value.

Self-insurance. Horizon has historically, indirectly as a component of TriMas, participated in TriMas' self-insurance plans and has been allocated a portion of the related expenses and liabilities for the periods presented prior to the spin-off. TriMas was generally self-insured for losses and liabilities related to workers’ compensation, health and welfare claims and comprehensive general, product and vehicle liability. Liabilities associated with the risks were estimated by considering historical claims experience and other actuarial assumptions. Following the spin-off, we continued to participate in TriMas' health and welfare plan through December 31, 2015 and reimbursed them for claims paid on our behalf.

We instituted self-insurance plans for losses and liabilities related to workers' compensation and comprehensive general, product and vehicle liability at the time of spin-off which ran through June 30, 2016. We were generally

responsible for up to $1.0 million per occurrence under our comprehensive general, product and vehicle liability plan and $0.5 million under our workers' compensation plan. Beginning on July 1, 2016, we are fully insured for workers' compensation and retain no liability for claims under the new plan, and are generally responsible for up to $0.8 million per occurrence under our comprehensive general, product and vehicle liability plan. Reserves for claim losses, including an estimate of related litigation defense costs, are recorded based upon the Company's estimates of the aggregate liability for claims incurred using actuarial assumptions about future events. Changes in assumptions for factors such as actual experience could cause these estimates to change.

Revenue Recognition. Revenues from product sales are recognized when products are shipped or provided to customers, the customer takes ownership and assumes risk of loss, the sales price is fixed and determinable and collectability is reasonably assured. Net sales is comprised of gross revenues less estimates of expected returns, trade discounts and customer allowances,

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which include incentives such as cooperative advertising agreements, volume discounts and other supply agreements in connection with various programs. Such deductions are recorded during the period the related revenue is recognized.

Cost of Sales. Cost of sales includes material, labor and overhead costs incurred in the manufacture of products sold in the period. Material costs include raw material, purchased components, outside processing and inbound freight costs. Overhead costs consist of variable and fixed manufacturing costs, wages and fringe benefits, and purchasing, receiving and inspection costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses include the following: costs related to the advertising, sale, marketing and distribution of the Company’s products, shipping and handling costs, amortization of customer intangible assets, costs of finance, human resources, legal functions, executive management costs and other administrative expenses.

Research and Development Costs. Research and development ("R&D") costs are expensed as incurred. R&D expenses were approximately $4.1 million, $0.7 million and $0.9 million for the years ended December 31, 2016, 2015 and 2014, respectively, and are included in cost of sales in the accompanying consolidated statements of income (loss).

Shipping and Handling Expenses. Freight costs are included in cost of sales. Shipping and handling expenses, including those of Horizon Americas’ distribution network, are included in selling, general and administrative expenses in the accompanying consolidated statements of income (loss). Shipping and handling costs were $6.0 million, $4.3 million and $5.4 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Advertising and Sales Promotion Costs. Advertising and sales promotion costs are expensed as incurred. Advertising costs were approximately $6.1 million, $7.8 million and $8.8 million for the years ended December 31, 2016, 2015 and 2014, respectively, and are included in selling, general and administrative expenses in the accompanying consolidated statements of income (loss).

Income Taxes. For the purposes of the consolidated financial statements as of and for the six months ended June 30, 2015, the Company’s income tax expense and deferred income tax balances have been estimated as if the Company filed income tax returns on a stand-alone basis separate from former parent. As a stand-alone entity, deferred income taxes and effective tax rates may differ from those in the historical periods.

Following the spin-off, the Company computes income taxes using the asset and liability method, whereby deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of assets and liabilities and for operating loss and tax credit carryforwards. Under the method, changes in tax rates and laws are recognized in income in the period such changes are enacted. Valuation allowances are determined based on an assessment of positive and negative evidence on a jurisdiction-by-jurisdiction basis and are utilized to reduce deferred tax assets to the amount more likely than not to be realized. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to unrecognized tax benefits within income tax expense. Accrued interest and penalties are included within the related tax liability line in the consolidated balance sheets.

The provision for federal, foreign, and state and local income taxes is calculated on income before income taxes based on current tax law and includes the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provision differs from the amounts currently payable because certain items of income and expense are recognized in different reporting periods for financial reporting purposes than for income tax purposes.

Foreign Currency Translation. The financial statements of subsidiaries located outside of the United States are measured using the currency of the primary economic environment in which they operate as the functional currency. When translating into U.S. dollars, income and expense items are translated at average monthly exchange rates and assets and liabilities are translated at exchange rates in effect at the balance sheet date. Translation adjustments

resulting from translating the functional currency into U.S. dollars are deferred as a component of accumulated other comprehensive income (loss) in the consolidated statements of shareholders' equity. Net foreign currency transaction gains were approximately $0.5 million for the year ended December 31, 2016, and losses of approximately $1.4 million and $0.3 million for the years ended December 31, 2015 and 2014, respectively, and are included in other expense, net in the accompanying consolidated statements of income (loss).

Derivative Financial Instruments. The Company records all derivative financial instruments at fair value on the balance sheets as either assets or liabilities, and changes in their fair values are immediately recognized in earnings if the derivatives do not qualify as effective hedges. If a derivative is designated as a fair value hedge, then changes in the fair value of the derivative are offset against the changes in the fair value of the underlying hedged item. If a derivative is designated as a cash flow hedge, then the effective portion of the changes in the fair value of the derivative is recognized as a component of other comprehensive income (loss) until the underlying hedged item is recognized in earnings or the forecasted transaction is no longer probable of occurring. When the underlying hedged transaction is realized or the hedged transaction is no longer probable, the gain or loss included in accumulated other comprehensive loss is recorded in earnings and reflected in the consolidated statements of income (loss) through the same line item.

The Company formally documents hedging relationships for all derivative transactions and the underlying hedged items, as well as its risk management objectives and strategies for undertaking the hedge transactions.

Fair Value of Financial Instruments. In accounting for and disclosing the fair value of these instruments, the Company uses the following hierarchy:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

Valuation of the Company's foreign currency forward contracts and cross currency swaps are based on the income approach, which uses observable inputs such as forward currency exchange rates and swap rates. The carrying value of financial instruments reported in the balance sheets for current assets and current liabilities approximates fair value due to the short maturity of these instruments.

The Company's term loan traded at 101.6% of par value as of December 31, 2016. The valuation of the term loan was determined based on Level 2 inputs under the fair value hierarchy, as defined.

Business Combinations. The Company records assets acquired and liabilities assumed from acquisitions at fair value. The fair value of working capital accounts generally approximate book value. The valuation of inventory, property, plant and equipment, and intangible assets require significant assumptions. Inventory is recorded based on the estimated selling price less costs to sell, including completion, disposal and holding period costs with a reasonable profit margin. Property, plant and equipment is recorded at fair value using a combination of both the cost and market approaches for both the real and personal property acquired. Under the cost approach, consideration is given to the amount required to construct or purchase a new asset of equal value at current prices, with adjustments in value for physical deterioration, as well as functional and economic obsolescence. Under the market approach, recent transactions for similar types of assets are used as the basis for estimating fair value. For trademark/trade names and technology and other intangible assets, the estimated fair value is based on projected discounted future net cash flows using the relief-from-royalty method. For customer relationship intangible assets, the estimated fair value is based on projected discounted future cash flows using the excess earnings method. The relief-from-royalty and excess earnings method are both income approaches that utilize key assumptions such as forecasts of revenue and expenses over an extended period of time, royalty rate percentages, tax rates, and estimated costs of debt and equity capital to discount the projected cash flows.

Earnings Per Share. Basic earnings per share ("EPS") is computed based upon the weighted average number of common shares outstanding for each period. Diluted EPS is computed based on the weighted average number of common shares and common equivalent shares. Common equivalent shares represent the effect of stock-based awards during each period presented, which, if exercised, earned, or converted, would have a dilutive effect on earnings per share. On June 30, 2015, 18,062,027 shares of our common stock were distributed to TriMas shareholders of record to complete the spin-off from TriMas. For comparative purposes we have used weighted average shares of 18,062,027 to calculate basic EPS for all periods prior to the spin-off. Dilutive earnings per share are calculated to give effect to

stock options and restricted shares outstanding during each period.

Environmental Obligations. The Company is subject to increasingly stringent environmental laws and regulations, including those relating to air emissions, wastewater discharges and chemical and hazardous waste management and disposal. Some of these environmental laws hold owners or operators of land or businesses liable for their own and for previous owners' or operators' releases of hazardous or toxic substances or wastes. Other environmental laws and regulations require the obtainment and compliance with environmental permits. To date, costs of complying with environmental, health and safety requirements have not

been material; however, the Company cannot quantify with certainty the potential impact of future compliance efforts and environmental remediation actions.

While the Company must comply with existing and pending climate change legislation, regulation and international treaties or accords, current laws and regulations have not had a material impact on the Company's business, capital expenditures or financial position. Future events, including those relating to climate change or greenhouse gas regulation could require the Company to incur expenses related to the modification or curtailment of operations, installation of pollution control equipment or investigation and cleanup of contaminated sites.

Ordinary Course Claims. The Company is subject to claims and litigation in the ordinary course of business, but does not believe that any such claim or litigation is likely to have a material adverse effect on its financial position and results of operations or cash flows.

Stock-based Compensation. The Company measures stock-based compensation expense at fair value as of the grant date in accordance with U.S. GAAP and recognizes such expenses over the vesting period of the stock-based employee awards. Stock options are issued with an exercise price equal to the opening market price of Horizon common shares on the date of grant. The fair value of stock options is determined using a Black-Scholes option pricing model, which incorporates assumptions regarding the expected volatility, expected option life, risk-free interest rate and expected dividend yield. In addition, the Company periodically updates its estimate of attainment for each restricted share with a performance factor based on current and forecasted results, reflecting the change from prior estimate, if any, in current period compensation expense.

Other Comprehensive Income (Loss). The Company refers to other comprehensive income (loss) as revenues, expenses, gains and losses that under U.S. GAAP are included in comprehensive income (loss) but are excluded from net earnings as these amounts are recorded directly as an adjustment to accumulated deficit. Other comprehensive income (loss) is comprised of foreign currency translation adjustments and changes in unrealized gains and losses on forward currency contracts and cross currency swaps.

Net transfers (to) from parent. Net transfers (to) from parent in the consolidated statements of cash flows and statements of shareholders' equity represent the total net effect of the settlement of intercompany transactions with TriMas.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Acquisitions
On October 4, 2016, the Company completed the acquisition of 100% of the equity interest in Westfalia-Automotive Holding GmbH and TeIJs Holding B.V. (collectively, the "Westfalia Group"). The acquisition was effective October 1, 2016, and was for total consideration of approximately $141.5 million, net of cash acquired. The consideration was in the form of approximately $91.6 million paid in cash, net of cash acquired, and approximately $49.9 million paid through the issuance of 2,704,310 shares of the Company's common stock. The fair value of the common stock was $18.48, determined based on the price of the Company's common stock on October 4, 2016, which was $19.87, with a discount applied due to restrictions on marketability.
The Westfalia Group is a leading global towing company. Headquartered in Rheda-Wiedenbrück, Germany, with operating facilities in 11 countries, it manufactures towing and trailering products, including more than 1,700 different types of towbars, wiring kits and carrier systems for cars and light utility vehicles. The Company believes the acquisition will expand its opportunities for revenue and margin growth, increase its market share and augment its global OE footprint with access to new markets and customers.
The following table summarizes the fair value of consideration paid for the Westfalia Group, and the assets acquired and liabilities assumed:

	Acquisition Date (dollars in thousands)
Consideration	
Cash paid, net of cash acquired	$ 91,580
Issuance of common stock	49,960
Total consideration	141,540
Recognized amounts of identifiable assets acquired and liabilities assumed	
Receivables, net	$ 19,700
Inventories	43,290
Other intangibles, net[a]	47,780
Prepaid expenses and other current assets	1,740
Property and equipment, net	47,480
Accounts payable and accrued liabilities	(54,150)
Long-term debt	(59,140)
Other long-term liabilities	(31,210)
Total identifiable net assets	15,490
Goodwill[b]	126,050
	$ 141,540

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[a] Consists of approximately $33.6 million of customer relationships with an estimated useful life of 16.3 years, $3.4 million of technology and other intangible assets with an estimated useful life of 10 years and $10.8 million of trademark/trade names with an indefinite useful life.
[b] All of the goodwill was assigned to the Company's Horizon Europe Africa reportable segment and is expected to be deductible for tax purposes.
The results of operations of the Westfalia Group are included in the Company's results beginning October 1, 2016. The actual amounts of net sales and operating loss of the Westfalia Group included in the accompanying consolidated statements of income (loss) for the year ended December 31, 2016 are $54.5 million and $9.6 million, respectively.

Table of Contents

HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the supplemental pro forma results of the combined entity as if the acquisition had occurred on January 1, 2015. The supplemental pro forma information presented below is for informational purposes and is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been consummated on January 1, 2015:

	Pro forma Combined (a)	
	Year ended December 31,	
	2016	2015
	(dollars in thousands)	
Net sales	$811,330	$787,930
Net loss attributable to Horizon Global	$(12,780)	$(18,350)
Basic earnings per share attributable to Horizon Global	$(0.61)	$(0.88)
Diluted earnings per share attributable to Horizon Global	$(0.61)	$(0.88)

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[a] The supplemental pro forma results reflect certain material adjustments, as follows:

1. Pre-tax pro forma adjustments for inventory step-up of $6.7 million for each of the years ended December 31, 2016 and December 31, 2015, respectively, associated with the acquisition.
2. Pre-tax pro forma adjustments for depreciation expense of $1.4 million and $2.0 million for the years ended December 31, 2016 and December 31, 2015, respectively, on the property and equipment associated with the acquisition.
3. Pre-tax pro forma adjustments for amortization expense of $1.4 million and $1.5 million for the years ended December 31, 2016 and December 31, 2015, respectively, on the intangible assets associated with the acquisition.
4. Pre-tax pro forma adjustments for financing costs of $0.5 million and $0.6 million for the years ended December 31, 2016 and December 31, 2015, respectively, on the incremental debt associated with the acquisition.
5. Pre-tax pro forma adjustments for transaction costs of $10.3 million for each of the years ended December 31, 2016 and December 31, 2015, respectively, associated with the acquisition.
6. Pre-tax pro forma adjustments of $8.1 million and $10.7 million for the years ended December 31, 2016 and December 31, 2015, respectively, to reflect interest expense incurred on the incremental term loan and revolver borrowings incurred in order to fund the acquisition.

Total acquisition costs incurred by the Company in connection with its purchase of the Westfalia Group, primarily related to third- party legal, accounting and tax diligence fees, were approximately $10.3 million, all of which were incurred during 2016. These costs are recorded in selling, general and administrative expenses in the accompanying consolidated statements of income (loss).

5. Facility Closures

Ciudad Juarez, Mexico and El Paso, Texas facilities

In July 2015, the Company announced plans to close its manufacturing facility in Ciudad Juarez, Mexico ("Juarez") along with its distribution warehouse in El Paso, Texas ("El Paso"). The Company completed the closure of the El Paso and Juarez sites during the second quarter of 2016. Upon the cease use date of the El Paso and Juarez facilities, the Company recorded an accrual of approximately $2.6 million for estimated future unrecoverable lease obligations, net of estimated sublease recoveries, for the lease agreements expiring in 2019 and 2020, respectively. The corresponding expense consists of $1.9 million recorded as cost of sales and $0.7 million recorded as selling, general and administrative expenses in the accompanying consolidated statements of income (loss). Most of the manufacturing was relocated to the Company's existing facilities in Reynosa, Mexico. The distribution operations moved to a new warehouse facility, also in Reynosa, Mexico.

During the fourth quarter of 2016, the Company executed sublease agreements for both locations. As of December 31, 2016, the accrual for estimated future unrecoverable lease obligations, net of estimated sublease recoveries, is $0.7

million. For the year ended December 31, 2016, the corresponding expense consists of $0.2 million recorded as cost of sales and $0.5 million recorded as selling, general and administrative expenses in the accompanying consolidated statements of income (loss).

During the third quarter of 2015, the Company recorded charges, primarily for severance benefits for its approximately 214 hourly workers to be involuntarily terminated. These charges were approximately $0.9 million, of which $0.8 million is included in cost

of sales and approximately $0.1 million is included in selling, general and administrative expenses. Also, during the third quarter of 2015, the Company recorded charges, primarily related to severance benefits for approximately 47 salaried employees to be involuntarily terminated as part of the closures of approximately $0.9 million, of which approximately $0.7 million is included in cost of sales and approximately $0.2 million is included in selling, general and administrative expenses. The hourly and salaried severance benefits were fully paid as of December 31, 2016.
In addition, the Company incurred pre-tax non-cash charges related to accelerated depreciation expense of $0.3 million and $0.1 million, for the years ended December 31, 2016 and 2015, respectively. These depreciation charges are the result of shortening the expected lives on certain machinery, equipment and leasehold improvement assets that the Company will no longer utilize, as the facility closures are now complete.

6. Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of goodwill for the years ended December 31, 2016 and 2015 are as follows:

	Horizon Americas	Horizon Asia Pacific	Horizon Europe Africa	Total
	(dollars in thousands)			
Balances at December 31, 2014	$ 6,580	$ —	$ —	$ 6,580
Foreign currency translation	(2,170)	—	—	(2,170)
Balances at December 31, 2015	$ 4,410	$ —	$ —	$ 4,410
Goodwill from acquisitions [a]	—	—	126,050	126,050
Foreign currency translation	960	—	(11,230)	(10,270)
Balances at December 31, 2016	$ 5,370	$ —	$ 114,820	$ 120,190

[a] Attributable to the acquisition of the Westfalia Group, as further described in Note 4, "Acquisitions".

Other Intangible Assets

In May 2016, the Company made a decision to simplify its brand offering in the Horizon Americas' reportable segment. Based on this decision, the Company no longer expects that the economic benefit of certain indefinite-lived trade names extends beyond the foreseeable future. As a result, in the second quarter of 2016, the Company determined that trade names with an aggregate carrying value of $2.4 million should be assigned finite useful lives. In accordance with ASC 350, "Intangibles - Goodwill and Other," these trade names were first tested for impairment as indefinite-lived intangible assets resulting in non-cash intangible asset impairment charges of $2.2 million. The remaining $0.2 million was reclassified to amortizable intangible assets during the second quarter of 2016 and amortized within selling, general and administrative costs over the remainder of the year.
During the Company's annual indefinite-lived impairment testing in the fourth quarter of 2016, due to the macroeconomic conditions in Brazil and declining sales and sales projections as a result of competitive pressures in the United Kingdom, the Company determined that certain trade names with an aggregate carrying value of $6.9 million were impaired. In accordance with ASC 350, "Intangibles - Goodwill and Other," the indefinite-lived assets were tested for impairment with fair value measurements derived from a relief from royalty method, which considers projected revenue and an estimated royalty rate. It was determined that the carrying value of these trade names exceeded their estimated fair value. As a result, non-cash intangible asset impairment charges of $3.8 million and $2.4 million were recorded in the Horizon Americas and Horizon Europe Africa reportable segments, respectively.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The gross carrying amounts and accumulated amortization of the Company's other intangibles as of December 31, 2016 and 2015 are summarized below. The Company amortizes these assets over periods ranging from three to 25 years.

Intangible Category by Useful Life	As of December 31, 2016		As of December 31, 2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(dollars in thousands)			
Finite-lived intangible assets:				
Customer relationships, 5 - 12 years	$66,000	$ (28,440)	$32,550	$ (26,880)
Customer relationships, 15 - 25 years	104,690	(84,120)	105,380	(78,180)
Total customer relationships	170,690	(112,560		