PARTICIPANTS

Corporate Participants

Christina Kmetko – Investor Relations Consultant, Hyster-Yale Materials Handling, Inc.
Alfred M. Rankin, Jr. – Chairman & Chief Executive Officer, Hyster-Yale Materials Handling, Inc.
Rajiv K. Prasad – President, Hyster-Yale Materials Handling, Inc.
Kenneth C. Schilling – Senior Vice President & Chief Financial Officer, Hyster-Yale Materials Handling, Inc.

Other Participants

Steve Ferazani – Analyst, Sidoti & Co. LLC
Brett Kearney – Analyst, G.research LLC

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Hyster-Yale Q1 2021 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Ms. Christina Kmetko. Please go ahead.

Christina Kmetko, Investor Relations Consultant, Hyster-Yale Materials Handling, Inc.

Thank you. Good morning, everyone, and welcome to our 2021 first quarter earnings call. I am Christina Kmetko and I'm responsible for Investor Relations at Hyster-Yale. Thank you for joining us this morning. Joining me on today's call are Al Rankin, Chairman and Chief Executive Officer; Rajiv Prasad, President of Hyster-Yale Materials Handling; and Ken Schilling, our Senior Vice President and Chief Financial Officer.

Yesterday evening, we published our first quarter 2021 results and filed our 10-Q. This information is available on our website. If anyone is not able to listen to today's entire call, an archived version of this webcast will be on our website later this afternoon and available for approximately 12 months.

Our remarks that follow, including answers to your questions, contain forward-looking statements. These statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements made here today. These risks include, among others, matters that we have described in our earnings release issued last night and in our 10-Q and other filings with the SEC. We disclaim any obligation to update these forward-looking statements, which may not be updated until our next quarterly earnings conference call, if at all.

In a moment, I'll discuss our current quarter results, but first, let me turn the call over to our Chairman and CEO, Al Rankin, for some opening remarks. Al?

Alfred M. Rankin, Jr., Chairman & Chief Executive Officer, Hyster-Yale Materials Handling, Inc.

Thanks, Christy, and good morning, everyone. Results for our first quarter of 2021 are very mixed. On the one hand, bookings were extraordinarily strong, with the forklift truck backlog at record levels and, as a result, prospects for the future are bright. On the other hand, supply chain disruptions had a major impact on production and material costs, which significantly reduced our first quarter earnings.

In the fourth quarter of 2020, Hyster-Yale was seeing improving market demand and increasing bookings and was optimistic about 2021 prospects. Then, the market demand and the bookings improvements we saw on the fourth quarter actually increased during the 2021 first quarter, generating demand for forklift truck products that was significantly higher than we had forecasted.

While this demand has provided us with a record backlog, Hyster-Yale's global supply chain, which has also had to ramp up production, has struggled to ramp up its suppliers and their capacity. This slow and erratic ramp-up, exacerbated by continuing pandemic-related supplier labor shortages and cost increases and logistics constraints, has led to significant component shortages in material and freight cost inflation. This has had a significant effect on Hyster-Yale in the first quarter.

As a result of these factors, our first quarter shipments were substantially lower than we had expected, particularly in our Americas division, where receiving components needed to build certain trucks on schedule was very challenging. This resulted in earnings that were significantly lower than both the 2020 fourth quarter and the first quarter. While these results were not what we had planned or expected, our team is working diligently to obtain the components we need. Given our very high backlog, the opportunity for increased production is high as supply chain bottlenecks are resolved.

After Christy reviews the financial results for the quarter in more detail, Rajiv will provide more detail on these supply chain challenges as well as provide an update on our business operations and strategic projects.

Ken will then discuss our outlook in this evolving environment. Christy?

Christina Kmetko, Investor Relations Consultant, Hyster-Yale Materials Handling, Inc.

Thank you, Al. I'll start with the quarter highlights and then discuss the individual segments. As Al mentioned, our unit bookings in the first quarter increased significantly, 48.8% over the fourth quarter of 2020. We ended the quarter with historically high backlog of 60,700 units. Our EMEA and JAPIC segments had significant increases in unit shipments over the first quarter of 2020, but these higher shipments were more than offset by a substantial decrease in unit shipments in the Americas because of supply chain constraints and component shortages resulting from the broad and rapidly increased demand as the economy recovers. Rajiv will provide more detail about our bookings and shipments in a moment.

The lower shipments in the Americas were the primary driver for the 6.8% decline in the [ph] 2020 (05:28) first quarter consolidated revenues to $732.2 million from $785.7 million in the first quarter of 2020. Lower unit revenues were partly offset by favorable currency movements mainly in our EMEA and JAPIC lift truck segments and at Bolzoni.

As a result of the lower unit volume, along with the resulting increase in manufacturing variances and higher material inflation and freight costs, primarily in the lift truck business and Bolzoni, our consolidated operating profit decreased to $3.1 million from $20.2 million in the prior-year first quarter. The decrease was partially offset by lower operating expenses despite the add-back of $9 million of incentive compensation that was suspended in 2020.

Our consolidated net income decreased to $5.6 million or to $0.33 per share from $15.3 million or $0.91 per share. The operating profit decline was moderated by $4.6 million gain on sale of Nuvera's investment in preferred shares of OneH2 as well as gains from favorable changes to market values of other equity investments.

In our lift truck business, our first quarter operating profit decreased to [ph] $22 million (06:47) from $28 million in the prior-year quarter, mainly as a result of the specific factors I noted in the discussion of our consolidated results. Of those earnings, revenues for the first quarter of 2021 decreased 9.6% and operating profit decreased to $800,000, from $2.7 million in the prior year first quarter. The decrease in operating profit was primarily attributable to an increase in operating expenses because of the reinstatement of pre-pandemic employee compensation and the decrease in gross profit. The decline in gross profit was the result of lower sales volumes, increased costs due to material and freight cost inflation, and higher manufacturing costs resulting from inefficiencies caused by the lower sales volumes.

Finally, at Nuvera, revenue decreased in the first quarter of 2021 and the operating loss increased modestly to $9.8 million, from $9.4 million in 2022. The higher operating loss was primarily attributable to a loss of manufacturing absorption caused by reduced sales, partly offset by lower operating expenses due to the favorable effect of ongoing cost containment actions.

That completes the updated results for the quarter. Now, let me turn this over to Rajiv, who will provide an overview on our operations and our strategic projects. Rajiv, you may be on mute.

Rajiv K. Prasad, President, Hyster-Yale Materials Handling, Inc.

Thank you, Christy. Let me first start by saying that the global team has performed very well in this challenging quarter. Our sales team has effectively executed our strategies by generating significant bookings in the strong market and increasing our market share. And our supply chain and manufacturing groups have worked diligently to address the challenges related to supplier constraints and logistic challenges that were our largest issues in the quarter.

As Al mentioned, lift truck market activity surged this quarter. Lift truck market grew significantly faster than anticipated during the 2021 first quarter, with markets ending the quarter substantially higher than pre-pandemic levels. Excluding China, where the market increased more than 130% over the 2020 first quarter, when China was most affected by pandemic-related shutdowns, the global lift truck market increased 46% compared with the first quarter of 2020.

Compared to 2020 fourth quarter, the global lift truck market, including China, increased 20%, driven by a 24% increase in EMEA, just under a 24% increase in the Americas, and almost an 18% increase in China. The significantly accelerated global demand over the 2020 fourth quarter and our share gains program translated into a substantial increase in our first quarter bookings, with market share improvements in Americas, EMEA, Asia and India markets and resulted in record backlogs.

Despite the substantial increase in bookings, our unit shipments were only moderately higher than the 2020 fourth quarter and were lower than the 2020 first quarter. The shipment increased over the fourth quarter because of substantially higher bookings in the third and fourth quarter of 2020. However, shipments were lower than a year ago because of the low production rates that we've put in place to match component availability and backlog.

Since the shutdown in 2020, we have prudently increased production level for our manufacturing plants to align them closely with anticipated levels of demand, target booking level, and component availability. This approach to increasing production rates to meet accelerating market demand focused on building backlog first to ensure a stable base for future production. However, component shortages, logistic challenges and supplier constraints led to reduced shipments compared to last year's first quarter.

We expect market growth in the remainder of the year to moderate from the first to the high growth rate of this past quarter, although market-level bookings and share were very high in April. We also anticipate the possibility of the slowdown of bookings in the second quarter as we implement price increases to mitigate the impact of material and freight cost inflation. Nevertheless, we continue to expect increased bookings for the 2021 full year compared with the low levels in 2020 as a result of an anticipated continued market growth and the strategic projects we continue to pursue at each of our businesses to enhance market share.

These strategic projects gained traction in the first quarter, while the definitive timeframes for achieving full share gain results are still uncertain due to timing and full impact of our strategic projects and the continued financial impact of the fast economic recovery on supply chain and cost challenges.

Now, let me spend a few minutes discussing our strategic projects. Despite the potential volatility of near-term economic activity, we continue to execute our long-term strategy by advancing our key strategic initiatives. While essentially all of the projects require to execute our initiatives continue to move forward in the context of COVID-19 pandemic, the pace of certain projects has been given greater emphasis than others, and certain accelerated projects have experienced delays as a result of the impact of the pandemic.

We continue to introduce new products, but our primary focus in the lift truck business is on a new set of modular and scalable product family for both internal combustion engine and electric truck. We launched the first of these new modular products, the standard version of the 2-to-3 ton internal combustion engine lift truck for the EMEA market in mid-April.

The new EMEA trucks have been very well received and the launch of this new range of 2-to-3 ton counterbalanced truck in the other market is expected to continue throughout 2021 and the early part of 2022. We expect the modular structure of these new products to enhance our ability to meet customer needs at the lowest possible cost and in a way that is more specific to their application, both at the industry level and at the individual customer level.

In this rapidly changing environment, we have accelerated our efforts to finalize and implement our industry strategies and our investment in industry-focused sales capabilities to support our dealers. Given the COVID-19 environment, we have also focused on enhancing our remote selling capabilities through technology and IT enhancements, which we use very successfully in our launch of the new modular truck.

Bolzoni continues to focus on implementing its One Company – 3 Brands organizational approach to help streamline corporate operations and strengthen its North America and JAPIC commercial operations. It's also focused on increasing its Americas business and strengthening its ability to serve industries in the North American market by introducing a broad range of locally produced attachments with shorter lead times and through continuing to sell cylinders and various other components produced in its Sulligent, Alabama plant.

Nuvera continues to focus on serving heavy-duty applications, particularly bus and truck applications, with its 45-kilowatt and 60-kilowatt engines, which were both released for sale during 2020. As a result of these milestones, Nuvera has accelerated the 45- and 60-kilowatt engine commercialization operations for the global market and is focusing on ramping up demonstrations, quotes and bookings for these products in 2021, with firm booking expected in 2021.

Overall, we believe the company will emerge stronger from this pandemic and that our strategic projects will reinforce that position.

I'll now turn the call over to Ken for an update on future quarters and liquidity. Ken?

Kenneth C. Schilling, Senior Vice President & Chief Financial Officer, Hyster-Yale Materials Handling, Inc.

Thanks, Rajiv. While recent markets and booking activities are strong and growth has been better than expected, the pace of increasing shipments remains uncertain. Overall, we continue to operate on the assumption that economic and market environment will remain difficult in 2021 until supply chain issues are fully resolved and COVID-19 vaccinations are fully implemented.

Early in 2020, we've put plans in place to mitigate the impact of declining markets and bookings and the consequential impact of reduced manufacturing activity from pandemic-related shutdowns by initiating cost-reduction measures. These measures included spending and travel restrictions, significant reductions in temporary personnel, furloughs, salary reductions and suspension of other benefits, including incentive compensation.

Effective January 1, 2021, we reinstated pre-pandemic salaries, benefits and incentive compensation programs. The other cost containment actions are continuing and are expected to remain in place until market and economic uncertainty dissipates and our results further improve which we expect will occur over the course of 2021.

In the 2020 fourth quarter, we did restructure some of our operations to reduce our long-term cost structure. We anticipate we will incur charges of approximately $1.1 million during the remainder of 2021 for additional costs related to this restructuring. Estimated benefits from this restructuring program are expected to be approximately $10.4 million annually beginning in 2022.

As Rajiv has mentioned, we adjusted production levels at our manufacturing plants during 2020 to align them more closely with market demand and target bookings and had been building backlog levels up moderately during the second half of the year. However, given the strong bookings in the fourth quarter and first quarter and the backlog levels at historical highs, higher build rates at first appeared reasonable for 2021.

However, as a result of continuing supply chain and logistic constraints, we were not able to achieve the production levels originally planned for the 2021 first quarter. These production headwinds are expected to continue to present significant challenges for production in the second and third quarters, although we are hopeful that these challenges will abate and production levels will be able to be increased above our previously planned rates in the second half of the year.

We also expect significant material cost inflation and higher freight costs to continue into the second and third quarters and the non-renewal of tariff exclusions are expected to affect the cost of components in the second half of 2021.

We have announced and implemented price increases to moderate the effect of material cost inflation, but many of the orders in our backlog do not reflect these price increases. As a result, we expect to experience margin pressure throughout 2021 due to the lag between when prices went into effect and when they are fully realized since customer orders in the backlog are generally price protected.

We will continue to work closely with our suppliers to accelerate and enhance component supply levels in order to facilitate increased production levels. We anticipate that commodity costs will continue to increase as the year progresses and we will continue to monitor potential future supply costs and tariffs closely and adjust pricing accordingly.

Despite these factors, we expect our second quarter operating profit and net income to be significantly higher than the very low second quarter 2020 and first quarter 2021 results since supply chain constraints are anticipated to moderate only modestly.

Operating profit is expected to increase because of an expected increase in unit shipments and an anticipated favorable currency impact based on current currency rates, partially offset by material and freight cost inflation as well as the reinstatement of incentive compensation and full salaries and benefits.

Let me take a step back and explain our expectations for 2021 second quarter based upon the most recent information we have available, but as past quarters and this quarter, in particular, have shown the effect on the lift truck market from the anticipated economic recovery from the pandemic can change our expectations rapidly.

We are monitoring the COVID-19 hotspots, including closely monitoring a number of our suppliers based in areas where COVID-19 cases are high. We are prepared to take further action if necessary to maintain the health and safety of our global workforce, and to address the production and supply chain issues which may develop. As a result, the uncertainty of the supply to recovery timing continues to limit our ability to forecast bookings and shipment levels for the remaining 2021 quarters.

Looking to the future, in the context of an improving booking trend, we expect to increase our investment in working capital and other expenditures to support growth in our business. Capital expenditures are expected to be approximately $68 million in 2021.

While we expect to make these substantial additional investments in our business this year, maintaining liquidity also continues to be a priority. At March 31, our cash on hand was $103 million and our debt was $285.4 million compared with cash on hand of $151.4 million and debt of $289.2 million at December 31. In addition, as of March 31, we had unused borrowing capacity of approximately $265.3 million under our existing revolving credit facilities compared with $266.4 million at the end of the year.

I'll now turn the call back to Al.

Christina Kmetko, Investor Relations Consultant, Hyster-Yale Materials Handling, Inc.

Al, I believe...

Kenneth C. Schilling, Senior Vice President & Chief Financial Officer, Hyster-Yale Materials Handling, Inc.

Al, you're on mute.

Alfred M. Rankin, Jr., Chairman & Chief Executive Officer, Hyster-Yale Materials Handling, Inc.

I will conclude by noting that our strategy for the longer term is clear and transformative. Our key projects as well as the explicit objectives Hyster-Yale Group, Bolzoni and Nuvera businesses support this long-term strategy. But nearer term prospects are uncertain as a result of a number of abnormal and largely external influences as we've discussed, specifically the direct impact of the COVID-19 pandemic on some markets, suppliers' manufacturing levels around the world and logistics issues, which coactively create supply and cost challenges, as well as the adoption rates for key fuel cell markets segments.

End markets are strong. We have a record lift truck backlog, a strong current booking environment, and we are working diligently to manage the supply chain headwinds. We are continuing to invest in innovative products to meet increased customer demand.

As a result, we believe future increased shipment opportunities are very significant. However, it is difficult for us to forecast when these increases will occur given the supply and logistics difficulties. Nevertheless, when these challenges are mitigated, we believe we will deliver solid sales and earnings performance, and that our long-term strategies and prospects will have a very significant impact as we look forward.

Before I open up the call for questions, I would like to note that we will be holding Investor Day later this month on May 25. The press release will be issued shortly with the registration link for that event. We encourage you to join us as Rajiv, Ken and I, along with other members of our senior management team, provide further information on our strategic roadmap to deliver long-term shareholder value.

We'll now turn to any questions you may have.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And your first question is from the line of Steve Ferazani. Please go ahead, sir.

<Q – Steve Ferazani – Sidoti & Co. LLC>: Hi. Good morning, everyone. I think there's a lot of topics to cover this morning. In fact, you did a great job in sort of giving an overview and certainly, these were issues you talked about while coming up this quarter. You talked extensively about it last quarter. But I'm curious, didn't things get a lot tougher in March and into April? Did you see the supply chain constraints become more challenging as Q1 went on?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Rajiv, do you want to take that?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Sure. Thanks, Al. I think as situation progressed through the quarter, if I look at what we've planned to build versus what we built, I think we had – impacts really throughout the quarter, it didn't accelerate in any way. In fact, if anything, the visibility to our supply chain as we sit here is at the best level over that time. Still, we still have a significant numbers of challenges.

So I believe kind of February-March were the toughest months. April eased up a little bit. And I think we're – as I said, we still have challenges with – as you can imagine, India is tough. Eastern Europe is tough from a supply chain point of view, but we're looking through those issues. And...

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Rajiv, could you just say a little about the process we're using to track components and – to try to breakthrough these bottlenecks and give people – investors a flavor for the process that we're using?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Sure. Thanks, Al. Yeah. So what we're using is a kind of war room-type environment, a virtual war room, where we've got every components and every supplier. We have supply chain teams tracking each one. We're getting commitments from suppliers only if they can hit our projected demand. And wherever we have concerns, we're actively working with them.

As you can imagine, from what's already been in the news, we had issues around our microprocessors. We had issues around resins. But then there were some – those were kind of general concerns and we use a lot of that in our trucks. But also we had concerns with specific suppliers and we individually work through them one at a time.

To give you a sense for it, in February, we were probably chasing around 7,000 kind of key issues, which improved in March to maybe low 2,000 to 3,000. And now, we're chasing kind of 100 of issues. So hopefully that gives you a sense that our availability is better, the supply chain is recovering, but we have some very specific issues, largest of which for us is India right now.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: I might add to that. At the same time, we're beginning the process of working with all of our suppliers to help them break bottlenecks, help them increase their own capacity as we look forward because, as we noted a number of times, we have a record backlog. We want serve our customers as effectively as we can. And so getting an increase in our capacity of our suppliers is a priority in the sort of middle term – the last half of the year, in particular – while the immediate near-term focus is the component-by-component process that Rajiv just described.

<Q – Steve Ferazani – Sidoti & Co. LLC>: Okay. Is it different for – I mean I note that Bolzoni had a pretty nice sequential improvement. Are they not faced – I know it's less complex equipment, are they faced with not the same challenges or is at a state more to do with what they were coming off in 4Q?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Let me just give you an overview that, again, as was the case for Hyster-Yale Group, we were hoping for much better results in the first quarter than we actually achieved. So, absent the concerns that effect supply and particularly material cost increase, we think we would have done much better in Bolzoni. I think that's the best way to answer your question.

<Q – Steve Ferazani – Sidoti & Co. LLC>: No, it's fair. That's helpful. When we think about – you mentioned the massive backlog, how sticky is that backlog? Because, I mean, it looks like you had certainly, at minimum, two quarters of revenue without taking any additional bookings. So you start pushing some of this out. How confident are you that backlog holds?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: I'll...

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Let me...

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Go ahead, Rajiv.

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Sure. I think we've definitely put our lead times. Our customers understand the lead times that we are working with. I think we have reinforced that.

We have seen some pull ahead of orders, mainly due to the inflation that our customers are seeing. So I expect the vast majority of the backlog we have is very sticky. And in fact, customers are consciously making those decisions, knowing our backlog, knowing our lead times and also knowing the challenges that are in the market that they themselves are felling as well, especially the industrial side of the market.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Let me just emphasize it. First of all, the backlog is not all immediately shippable. Some of those orders are for the – extend out for the full year in many cases. So, they're spread out over a period of time. That's one point.

The other is that if we were the only supplier in the industry that had these bottlenecks and had the inability to make the shipments, we might be under quite a bit more competitive pressure and substitution pressure than we are. I think it's important to keep in mind that the factors we're discussing affect other competitors of ours also and even more generally, industry as a whole is significantly affected by supply chain issues.

I mean you read pretty much every day now about what the chip problems that are affecting the automotive industry are causing production shortfalls in the automotive industry. So, this is a fairly broad-based set of circumstances that are going on in the economy as we look at it.

<Q – Steve Ferazani – Sidoti & Co. LLC>: And then, you mentioned potential for some price increases. What's your stance on early customer feedback to that and how much are you going to be able to, I think, offset potential – of the material price? Can you pass all the material price cost increases through or are you trying to get a partial pass-through?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Well, I'd really focus on Ken's comment. Ultimately, we expect to have a full pass-through. We have target margins. We think they're reasonable. We think they're competitive. The issue here is that we have a backlog, which, in general, as Ken pointed out, has locked in prices. And material costs are going up in a way that we can't really re-capture through price increases.

We try to work with our suppliers to moderate the cost of price increases. But just to take an example, not very long ago and in general, over time, steel prices have been somewhere around what, Rajiv, $450 or $500 a ton?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yes.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: They're actually at – in the spot market right now, they're at $1,500 a ton. That's never happened before to my knowledge. And so, these are pressures that I think everybody is feeling and I think there's going to be considerable ripple of inflationary cost pressures in the economy.

Now, eventually, the bottlenecks are going to get broken, but there's a real surge in demand as a result of government programs of delayed consumption on consumer behavior, all of that, and it's creating an environment that's pretty unprecedented in terms of the rapid increase in economic activity that's going on.

<Q – Steve Ferazani – Sidoti & Co. LLC>: And then, just wanted to touch on – you mentioned the end to the tariff exclusions. I'm trying to figure out, should we think about that impact similar to the last time around or have you been able to find other sources for components or materials that may lessen the impact?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Well, let me comment on the tariff exclusions first. The Biden administration has changed the rules on tariff exclusions. It's very concerning to us. The Trump administration recognized that there were certain components that were not available in other locations. They recognized that the impact on prices in the United States could be very high as a result of certain kinds of tariffs. And so, they had an exclusion process, which certainly wasn't perfect, but it provided some substantial relief to blanket tariff increases.

At this point, the new administration has not put any process in place for tariff exclusions and we have really no idea what their future plans may be. In fact, we're not sure they do either at this point and it's a really serious situation. I think there's a lot of concern in Congress that this is not a good policy.

I think that many people understand that if the tariffs continue on China that, by enlarge, the bulk of – at least in our case, the bulk of what we buy in China would go to some other low-cost country and wouldn't be repatriated to the United States because the costs would be too high even if you could find capacity to produce it. So, I think that's the perspective we have on tariffs. We certainly hopeful that eventually, an exclusion process will be put in place maybe in the next quarter or so. That's certainly what we think got to happen and we just keep our fingers crossed that it does.

As to your second point, we had already begun to diversify our low-cost supply chain sourcing capabilities. We have sources in Vietnam. We have sources particularly in India. But as you know, there are complexities in India right now, given the impact of COVID-19 on our supply chain there, but we have active programs that are designed to find other competitive sources to Chinese components.

Rajiv, do you want to add anything to that?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: I think the first thing to recognize is China. And if you just take castings, we use a lot of castings and China, by far, has the highest capacity for casting, in fact, may have more castings than the rest of the world together in terms of capacity. So – and the significant amount of that castings come from China. We are looking to outsource it through other places. But again, capacity is constrained and the process is slow, not only by capacity but also by the COVID-19. But that is our plan. We will diversify...

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Then, let me just say, to reinforce Rajiv's comment, that that's precisely – what he just said is precisely why there needs to be an exclusion process, that the casting capacity simply doesn't exist in the United States and it's not likely to be put in place here.

<Q – Steve Ferazani – Sidoti & Co. LLC>: Well, thank you so much. Appreciate all the thoughtful answers this morning. Good luck with the next quarter.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Thanks.

Operator: [Operator Instructions] Your next question is from the line of Brett Kearney. Please go ahead.

<Q – Brett Kearney – G.research LLC>: Hi, guys. Good morning. Thanks for taking my question and thanks for all the great color on the call this morning.

<A – Christy Kmetko – Hyster-Yale Materials Handling, Inc.>: Thanks.

<Q – Brett Kearney – G.research LLC>: I want to ask on Nuvera. You mentioned, it sounds like, increased opportunity for product demonstration. Could you just maybe elaborate, probably a question for Lucien on the 25th of this month, but just kind of what opportunities you're seeing? Obviously, you had success in the China bus market. But what else, even at initial conversations at this stage, you're seeing opportunities in the commercialization front for Nuvera?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Maybe Rajiv would just comment a little bit on how we see the sales cycle evolving because that really is what lies at the heart of the process of – or the end result of getting bookings. You've got to go through a cycle of activity. Rajiv?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah. Thanks, Al, and you're right. We will put this in much more detail on the 25th, but let me give you a sense for it. So, you could imagine that we're predominantly working with integrators and OEMs of equipment. And if I think about the segment, the primary areas are around heavy-duty vehicles, so we're talking buses, trucks and some off-road vehicles, including [ph] ours (41:14).

And the process that customers go through is – the first question is do you have an electrification plan, do you have an electrified part of it, and that majority of the time they don't and some of the time they do. The next question is have you thought about integrating hydrogen into your solution. And again, that's – the next piece – [indiscernible] (41:43) piece is integrating and developing a solution, then doing a pilot and a prototype, and then going into production, and we're moving people through that whole process.

If I can just maybe talk about geographies, you're right. I mean, over the last few years, our attention has been on China because we felt that was a rapidly growing market, kind of really supported by government initiatives. Well, we've seen a strong pick-up in Europe and we're starting to see some traction in North America, and in our pipeline today, we have customers in all of those regions. We can talk a bit – we'll give you more color on that in May. So, I think that – hopefully, that gives you a sense for the process we're going through, why it's taking time and also the business and development, which is closely tied together.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Rajiv, just as a point of reference maybe, we put periodically new generations of internal combustion engines into our vehicles that meet different emission standards. That is not a short process. Even something as determined and fixed as putting an upgraded engine in would take sort of how long, Rajiv?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah. We've seen – we've done a lot of emission programs that take between 24 and 36 months, depending on what else we need to change with the engine, which recently has been a significant amount of the crux. So, we think that the integration – it depends on where you are. If you already have an electric vehicle, an electric platform, we think that's a more 18 – kind of average of around 18-month process for the hydrogen solution in. If you have an internal combustion engine and you need to put – create an electric drivetrain and then put the hydrogen solution in, then that's more around the 36-month timeframe. So just to give – of course, it's plus or minus, depending on the customer and their infrastructure, but that's a sense of time it's taking to go through the integration process.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: And on the other hand, I would just note that we're doing plenty of demonstrations. And then, there are test programs. We've been doing that in China, where vehicles are being run with our engines in them. This is all part of the process of developing bookings and we expect to be – see an acceleration of that process over the remainder of 2021, and then, of course, significantly in 2022 and 2023.

<Q – Brett Kearney – G.research LLC>: Great. That's very helpful. And then, maybe just last one small item, just curious what's the company's remaining stake in OneH2 at this point? Do you still hold some amount of preferred or common equity in that business? And I guess what would be your intentions for going forward?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah. We do have – still have a small ownership and just like always, we always look at what's the best alternative for us moving forward. So, we're talking to the OneH2 guys about potential ways of moving forward.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: So certainly, sale of the remaining interest is a possibility. We just have to see how it all works out in the context of the prospects for OneH2. And if there's something specific to report, we'll report it.

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: I mean just to strategically say that as you know, we really focused Nuvera on the fuel cell engine side, and this is part of the kind of reinforcing that direction.

<Q – Brett Kearney – G.research LLC>: Yeah. Terrific. Okay. Thank you so much.

Operator: [Operator Instructions] And at this time, I'm showing there are no further questions.

Christina Kmetko, Investor Relations Consultant, Hyster-Yale Materials Handling, Inc.

Thank you. Al, did you have any wrap-up comments?

Alfred M. Rankin, Jr., Chairman & Chief Executive Officer, Hyster-Yale Materials Handling, Inc.

I have no further wrap-up comments than the ones I gave earlier, Christy.

Christina Kmetko, Investor Relations Consultant, Hyster-Yale Materials Handling, Inc.

Okay. Thank you again, everyone, for joining us today. As a reminder, as Al mentioned, on May 25, we will be holding our Investor Day, and we believe that the link to register for that will be going out shortly. Thank you and have a good day. Thank you for listening.

Operator: Thank you for participating in today's Hyster-Yale Q1 2021 Earnings Conference Call. This call will be available for replay beginning at 2:00 PM Eastern Time today through 11:59 PM Eastern Time on May 12, 2021. The conference ID number for the replay is 8861383. Again, the conference ID number for the replay is 8861383. The number to dial for the replay is 1-855-859-2056 or 404-537-3406. Thank you for participating. You may now disconnect.