

## — PARTICIPANTS

### Corporate Participants

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

### Other Participants

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**Joe L. Mondillo** – Analyst, Sidoti & Co. LLC

## — MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Hyster-Yale Second Quarter 2020 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 call is being recorded. [Operator Instructions] I'd now like to hand the conference over to your speaker today Christy Kmetko. Thank you. Please go ahead.

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

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Thank you. Good morning everyone and welcome to our 2020 second quarter earnings call. I am Christina Kmetko and I am responsible for Investor Relations at Hyster-Yale. Thank you for joining us this morning. Joining me on today's call are Al Rankin, Chairman, President, and Chief Executive Officer of Hyster-Yale Materials Handling; Rajiv Prasad, President and Chief Executive Officer of Hyster-Yale Group; and Ken Schilling, our Senior Vice President and Chief Financial Officer.

Yesterday evening we issued our second quarter 2020 results and filed our 10-Q. Copies of our earnings release and 10-Q are available on our website. For anyone who is not able to listen to today's entire call, an archived version of this webcast will be on our website later this afternoon and available for approximately 12 months.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 forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed and implied by such 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 we make 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. Also, certain amounts discussed during this call may be considered non-GAAP. The non-GAAP reconciliations of these amounts are included in our earnings release and available on our website.

In a moment, I'll discuss our second 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, Chairman, President, and Chief Executive Officer-Hyster-Yale Materials Handling, Inc. & Chairman-Hyster-Yale Group, Hyster-Yale Materials Handling, Inc.**

Thanks, Christy, and good morning everyone. Thank you for joining us today. The second quarter brought unprecedented challenges to our customers, dealers, suppliers, employees and Hyster-Yale.

Our first priority was and continues to be to keep our workforce safe and to help reduce the spread of coronavirus. Our safety focus approach is coupled up with a responsibility to our customers to supply them with the products and services that include operations in many critical industries, working closely with our dealers, we are delivering products and services that enable our customers to provide key infrastructure that is essential to support the economy during this pandemic.

The broad measures taken by governments, businesses, and others around the world to limit the spread of COVID-19 adversely affected our business during the quarter. Production was significantly reduced or suspended at our European and to a lesser extent America's facilities during the first-half of the second quarter. The significant decline in global economic activity has also reduced demand for our products from customers and limited availability of components from many suppliers. To mitigate the financial impact of these challenges starting late in the first quarter, we phased in a significant set of cost reduction and liquidity enhancement measures.

These measures were largely implemented by the end of the second quarter. Benefits from these cost containment actions resulted in a decrease in operating expenses of \$21.6 million in the second quarter and \$27.9 million for the first six – for the six months ended June 30, 2020 but did not fully offset the unfavorable impact and economic downturn caused by the pandemic. As a result the company's second quarter operating profit and net income were significantly lower than both the 2019 second quarter and the 2020 first quarter. Overall, amidst these very challenging conditions, the company's global workforce has focused on keeping costs down, managing inefficiencies, continued to meet customer needs and generated results that exceeded our initial expectations.

And despite these challenges, we are continuing to make important investments for the future. This is the context for Christy's discussion of our second quarter performance which comes next. Then Rajiv will provide perspectives on the business including near-term demand, challenges and perspective on supply chain activities and the pace of our strategic programs. Ken will then discuss the actions we're taking to enhance our liquidity and manage our financial results through this challenging environment.

The duration and impact of the pandemic on the economy remains uncertain, but the resiliency of our workforce has been impressive. Our Hyster-Yale management team and global workforce have responded to a variety of challenges, including changing customer demand, new working protocols and supply chain disruptions among others. We believe our employees and our businesses are well-positioned to manage through this pandemic. Their disciplined execution the difficult environment we have has enabled Hyster-Yale to support our dealers and customers, and at the same time work diligently to ensure their health and safety.

Now, let me turn the call over to Christy to cover our results for the quarter.

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

Thank you, AI. I will first provide some highlights about the quarter and then discuss the individual segments. Our second quarter consolidated revenues decreased to \$654.4 million, down 23.6% from last year's second quarter, mainly due to the impact of the global COVID-19 shutdowns, lower bookings and resulting lower shipments. Consolidated operating profit also decreased significantly to \$8.7 million from \$22.9 million in the prior year's second quarter due to lower results in all of our segments.

Net income decreased to \$3.6 million or \$0.21 per share from \$16.2 million or \$0.97 per share in the prior year quarter.

Turning specifically to Lift Truck business, Hyster-Yale Group's second quarter revenues decreased 23.4% to \$622.9 million from \$812.7 million in 2019, mainly as a result of lower unit and parts volumes in all our geographic segments, especially EMEA where plants were closed for over a month during the quarter, because of the COVID-19 pandemic and the resulting significant decline in global economic activity.

Shipments decreased by approximately 6,200 units due to fewer shipments in all classes in EMEA and JAPIC, and all but Class 1 electric counterbalanced trucks and certain Class 3 warehouse trucks in the Americas. Rajiv will provide more detail about our bookings and shipments in a moment.

Second quarter 2020 operating profit in the Lift Truck business decreased 41.6% from the second quarter of 2019, also as a result of reductions in all geographic segments, particularly EMEA and JAPIC. The reduced operating profit in the Americas and JAPIC was mainly due to lower units and parts volumes, as well as the absence of \$4.9 million of favorable retroactive tariff exclusion adjustments recognized in the prior year quarter. The declines in operating profit was partly offset by lower operating expenses, primarily as a result of the implementation of cost containment actions, including reductions in employee-related expenses, to mitigate the expected impact of the COVID-19 pandemic.

EMEA was affected the most by the pandemic-induced actions. EMEA had an operating loss of \$2.8 million in 2020, compared with operating profit of \$4.7 million in the prior year quarter. The loss was primarily the result of significantly lower gross profit, partly offset by lower operating expenses, mainly as a result of the implementation of cost containment actions. EMEA's gross profit decreased due to lower unit and parts volume, as well as manufacturing inefficiencies resulting from the shutdown of the European plants for half of the second quarter.

Government support incentives only partially mitigated the impact of the plant shutdowns. The reduced gross profit was also partly offset by the favorable impact of Lift Truck pricing actions on sales and a shift in sales to higher-margin Lift Trucks.

At the Bolzoni segment revenues decreased 29.3% and Bolzoni reported an operating loss of \$500,000 compared with operating profit of \$2.3 million for the 2019 second quarter. The decrease in revenues was due to lower sales as a result of extended plant closures in Bolzoni's European facilities in the first-half of the second quarter and a significant decline in global economic activity. The decrease in operating profit was mainly because of lower sales volumes and manufacturing inefficiencies resulting from the COVID-19 pandemic, but the decline was partially offset by lower operating expenses due to cost containment actions taken.

Finally, at Nuvera, revenues were \$700,000 in the second quarter of 2020, down from \$2.2 million in the prior year and Nuvera's operating loss increased modestly to \$8.3 million from \$8.2 million in 2019. The revenue decrease and operating loss increase were primarily the result of a decrease in

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third-party fuel cell development services, the favorable effects of cost containment actions mostly offset the effect of these reduced services.

That completes my summary of the second quarter results. I will now turn the call over to Rajiv, who will discuss our operations and the status of our strategic programs.

**Rajiv K. Prasad, President and Chief Executive Officer, Hyster-Yale Group**

Thank you, Christy. I'd like to provide a brief update on our operations, including our people, our bookings and our supply chain. Across the company, we are focused on maintaining the safety of our global workforce and limiting the exposure of employees to the spread of COVID-19, including adjusting shift schedules to promote social distancing, enhancing cleaning and sanitization, and promoting recommended hygiene practices, limiting workspace access and maintaining remote working where possible. As I mentioned, we're very proud of the way our team has accepted and remained disciplined in maintaining these new protocols.

Moving on to our operations, the effect of COVID-19 pandemic continues to create much uncertainty as to the duration as well as the severity of the resulting economic downturn's impact on different industries.

The global Lift Truck market excluding China, which was affected mainly during the 2020 first quarter, decreased 22% in the second quarter from the first quarter and decreased 25% from the prior year second quarter as a result of the pandemic-related shutdowns and the slow economic recovery from these shutdowns.

Our largest markets, Americas and EMEA, had decreases of 15.3% and 28.1% respectively compared to the first quarter of 2020. As economies have gradually reopened, market activity has increased, which has translated into sequentially improved monthly bookings, although no region has normalized yet.

During the second quarter, our unit shipments, bookings and backlogs all decreased compared with the 2020 first quarter and 2019 second quarter. Combination of lower shipments due to the reduction or suspension of production in several of our European plants, and to a lesser extent the Americas facilities in the first quarter of – first half of this quarter due to COVID-19 related shutdowns, material shortages from suppliers, who closed their manufacturing plants or could not deliver components as a result of increased controls at borders and border closures and the substantially lower market levels contributed to the decrease in bookings and shipments.

Our bookings and shipment levels were at their lowest point in April. As global demand steadily improved throughout the second quarter, these levels trended up in both May and June, but at significantly lower levels than in same period a year before period. Our June bookings were approximately 25% lower than June 2019 versus more than 60% decline we experienced in April and more than 50% decline we experienced in May.

July bookings also showed improvement. Preliminary July bookings were lower than July 2019 by only a moderate amount and increased significantly over June levels. While the trend line is improving, improvements are occurring at a decreased rate suggesting that the recovery may be flattening. We continue to carefully manage our shipments backlog and lead time during this period of uncertainty. We have adjusted the production levels at our manufacturing plants to align more closely with the reduced levels of demand, so that our production rates match market conditions.

As a result, our monthly backlog levels have trended down over the three-month period. Based on our current backlog and adjusted production levels, we expect to have adequate production with

minimal open production slots for the remainder of this year. This should provide us with both competitive lead times and an acceptable ongoing backlog level. We're focused on adjusting production levels quickly in market and bookings change and we are also working closely with our suppliers to help ensure appropriate component supply levels as our production levels change. We successfully navigated through supply shutdowns early in the quarter to continue production without any major supplier-induced line stoppages in our America's division. This is a testament to the focused effort of our supply chain team and our strong supplier partners.

At this time, our global supply chain is in a relatively stable position, and the situation remains fluid. We'll continue to monitor this closely and make supply adjustments where necessary. As market conditions improve, we expect that increased bookings, as continued programs, we continue to pursue will position each of our businesses to recover to sound long-term financial returns.

Now, let me spend just a few minutes talking about our strategic programs. Despite the considerable uncertainty regarding near-term economic activity, we continue to be committed to our long-term strategies. The projects required to execute our strategies continue to move forward, but in light of COVID-19 pandemic, the pace of certain projects is being prioritized over other projects and some projects have been delayed to reduce operating expenses and capital expenditures.

While we are continuing to introduce a number of new products during this period, the primary focus is on our Lift Truck business is on a new set of modular, scalable product families covering both internal combustion engine and [ph] electric forklift (00:17:07) trucks. We have been focused on maintaining the timing of the introduction of these, well the first of these products, which is expected in the second half of 2020 with the launch of a new range of counterbalanced trucks.

In addition, the introduction of these new products will lead to significant changes in supply chain sourcing and in our various manufacturing facilities around the world, as certain products are moved between plants. Consolidated component volumes sourced globally from reliable partners is expected to reduce costs and improve quality as these new products are brought to market over time.

Our largest manufacturing facilities in Berea, Craigavon and Greenville are undergoing significant changes and investments continue to be made to these plants. In the current environment, we have accelerated plans to move certain products between plants and will – that will provide permanent structural changes to reduce costs while creating centers of excellence for other products at our three largest plants.

The modular nature of these new products is expected to enhance our ability to meet customer needs at lower cost and with more application specificity, both at the industry level and at the individual customer level.

In this rapidly changing environment, we have accelerated our focus on finalizing and implementing our industry strategies and our investments in industry-focused sales capabilities to support our dealers. While we are working with this – while we're working on this, we're also focusing on enhancing our remote selling capabilities through technology and IT enhancements.

Bolzoni continues to focus on its Americas growth strategy, including strengthening its ability to serve the North America market through the supply of cylinders and various other components from its Sulligent, Alabama plant, and introducing a broad range of locally produced attachments with shorter lead times to serve its customer base.

Bolzoni is also implementing its One Company – 3 brands structural approach, which will help streamline back office operations and strengthen its America and JAPIC commercial operations.

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Finally, Nuvera continues to focus on serving heavy-duty applications with its 45-kilowatt engine, which was released for sale during the second quarter. It also continues to focus on the forklift truck market. During the second quarter, Nuvera which had successfully certified its first 45 kilowatt engine for China in 2019, received its first integration certification which allows the engines to operate in buses. Endurance testing of the engine in buses is currently in process in China and expected to conclude during the third quarter for one company. With certifications for other bus companies expected late in the second half of this year and in the first half of next year. As a result of these milestones, Nuvera has accelerated the 45 kilowatt engine commercialization operations for the global market and is focused on ramping up sales of this product late in 2020 and in 2021.

Overall, it is our intention to emerge stronger and with – from this pandemic and to thrive as business conditions improve. We believe our prioritized strategic programs have put us in that position.

That concludes my summary of our operations. I will now turn the call over Ken for an update on our thoughts regarding future quarters and measures being taken to enhance liquidity.

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

Thanks, Rajiv. While we are encouraged by our recent market and bookings activity, Rajiv, just highlighted, the level of future bookings still very – is still very uncertain as to when demand and market conditions will return to pre-pandemic conditions.

Barring a COVID-19 outbreak spike requiring additional widespread shutdowns of non-essential businesses, we believe bookings are unlikely to get worse than the current rate, but the trajectory cannot yet be forecasted with confidence.

Our third quarter is traditionally soft as a result of seasonal vacation, plant shutdowns and costs associated with customary lower third quarter production schedules at our manufacturing plants. As a result, we expect a modest loss in the third quarter of 2020. More broadly, pandemic-related uncertainty continues to limit our ability to forecast bookings over the remainder of 2020 and 2021, and as a result, expected shipment levels for the fourth quarter of 2020 and full-year of 2021.

We continue to operate on the assumption that the economic and market environment, although improving, will remain difficult throughout the remainder of this year and into next year, until a COVID-19 vaccine is readily available.

We need not be able to control the macroeconomic factors that drive the demand for our products, but we are aggressively executing on actions that are within our control to moderate the near-term financial impact of the COVID-19 pandemic.

Beginning in the first quarter, we moved aggressively to put plans in place to mitigate the impact of lower markets and bookings and the consequential impact of reduced manufacturing activities as Rajiv previously discussed. By initiating cost reduction and liquidity enhancement measures, these actions are now targeted to achieve \$50 million to \$75 million in operating expense savings compared to 2019 of which \$28 million have already been realized.

These reductions would be significantly greater if they were compared against what we expected pre-COVID in 2020 rather than compared to 2019.

In combination with these actions, we've also been focused on steps that will enhance cash flow before financing, including reducing working capital and reducing or deferring capital expenditures,

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which are now expected to be approximately \$55 million in 2020. While our 2020 second quarter cash flow before financing was still a use of cash this quarter, it improved substantially from the first quarter and the prior year's second quarter.

Enhancing our liquidity potential also continues to be a priority. At June 30, 2020, our cash position was \$60.5 million and debt was \$337.7 million compared with cash on hand of \$50.4 million and debt of \$340.1 million at the end of the first quarter. Encouragingly, despite the significant economic impacted COVID-19 during the second quarter, our net debt improved by \$12.5 million to \$277.2 million from \$289.7 million at March 31st.

In addition, as of June 30, we had unused borrowing capacity of \$218 million under our existing revolving credit facilities compared with \$194 million at the end of the first quarter. Our businesses are doing a very good job of managing to maximize cash flow. We are also working very closely with our banks and financial partners globally to implement programs that can enhance our liquidity during this downturn and we are utilizing newly legislated tax and other programs to increase near term liquidity.

I'll now turn the call back to AI for some closing comments.

**Alfred M. Rankin, Chairman, President, and Chief Executive Officer-Hyster-Yale Materials Handling, Inc. & Chairman-Hyster-Yale Group, Hyster-Yale Materials Handling, Inc.**

In closing, I'd like to note that we believe we are actively, realistically and reasonably successful in navigating our way through this crisis. The global COVID-19 pandemic continues to present ongoing challenges to virtually every aspect of Hyster-Yale's daily life. Despite the progress we've made this crisis is very much with us and the questions contemplated several months ago regarding the speed and shape of the recovery is still very much in question.

We have a substantial backlog which provides us with production support over the remainder of 2020, and we took aggressive actions early during the pandemic to manage our cost structure and financial position. Our workforce had managed production and supply chain disruptions very effectively and has kept us on the right path during these challenging times.

We're committed to remaining agile and having contingency plans in place to respond appropriately to changing conditions as they unfold. Hyster-Yale is fortunate to have very experienced leaders who have managed through challenging situations in the past, including severe economic downturns. We have emerged from these challenges as a stronger company each time, we expect to do that this time as well. This crisis has clearly demonstrated what a strong global team our company has.

That concludes our prepared remarks, and we'll now open up the call for any questions that you may have.

## QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from Joseph Mondillo with Sidoti & Co. Please go ahead.

<Q – Joe Mondillo – Sidoti & Co. LLC>: Hi. Good morning, everyone. I wanted to...

<A – Christy Kmetko – Hyster-Yale Materials Handling, Inc.>: Good morning, Joe.

<Q – Joe Mondillo – Sidoti & Co. LLC>: ...I wanted to start with actually Nuvera. It seems like some of the comments that you made in the press release, as well as the prepared remarks to me sounded sort of positive, not sure how significant that is, but I'm just wondering what your overall thoughts on the progression there?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Well, I'd ask Rajiv to comment, but I'd just say that the certification of the E45 has a very critical milestone, both the initial certification last year and the certification that we've had this year, it permits to run in buses and the ongoing testing. So, we feel that this positions us to participate in a very significant market over the 2021 period and to some degree towards the end of 2020. Rajiv, if you want to add to that?

<A – Christy Kmetko – Hyster-Yale Materials Handling, Inc.>: Rajiv, are you on mute?

<A – Rajiv Prasad – Hyster-Yale Group>: Yeah. Thanks. Thanks, Al and thanks for the question. So, the way we see where we are in Nuvera is definitely at [ph] an (00:29:02) inflection point. Historically, we're focused on generating products and then utilizing those products within the Lift Truck industry ourselves [ph] in our – battery box (00:29:13) replacement systems. What the second half of 2019 and the first-half of 2020 has done for us is then commercialize and develop these products for targeted at the heavy-duty industry, especially buses and then later on commercial trucks.

45 kilowatt engine is a critical part of that, we feel very confident about the capability of the engine and the commercial activities to market and sell those are now in full ramp up mode, and that will be a global effort. Initial focus has been China, but we are looking at other regions as well for, and talking to potential customers.

<Q – Joe Mondillo – Sidoti & Co. LLC>: So just to dig in a little more specifically, regarding this endurance test, that it sounds like you're very close to finishing with the one China bus company. How do we think about that going forward in regard to the test results, is there any information that you can give with us, provide regarding those test results thus far and just any [indiscernible] (00:30:36)?

<A – Rajiv Prasad – Hyster-Yale Group>: Yes, sure. I mean, the tests have been good, it either hit our targets or in some cases exceeded our target. So to make a bus available for sale in China, you have to go into a catalog that's approved by the government and the government requires you to pass these tests to enter the catalog. We expect to – and then these tests are for every – really there are the OEM level. So we're working with one OEM currently, which we feel we will be through that process in the second half of the year, in fact, in the early third quarter of the year. And then we'll also in parallel we're working with other OEMs to do the same process that will achieve it in either late this year and some early next year.

It is a process that requires you to validate the engine and the integration you achieve, but we think the test we have already passed is a good indicator which is called the SMDIC test, and it's around the engine and the engine systems, is a good indicator to the OEM in China that we have an engine that's ready for integration and production.



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<Q – Joe Mondillo – Sidoti & Co. LLC>: And so once you get to the end of this – you get the results of this test in a month or two, what's the next step? Does...

<A – Rajiv Prasad – Hyster-Yale Group>: Then the profit of...

[indiscernible] (00:32:13)

<Q – Joe Mondillo – Sidoti & Co. LLC>: ...does the OEM have the option to start buying from you or?

<A – Rajiv Prasad – Hyster-Yale Group>: Yeah, so then once the tests are passed then our solution, including the OEM's bus. The OEM's bus will be listed as a sellable item. And then the commercial teams are already working with various cities to kind of go through the sales process for them to acquire the bus, so that then once it's in the catalog then it can be purchased by cities.

<Q – Joe Mondillo – Sidoti & Co. LLC>: Okay. And then...

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: We're also in a position where we can begin to look at markets outside China as well, those buses that are produced in China can be sold outside China. And so we'll be working with the bus companies to some degree. There are variety of commercial programs that now take the forefront in terms of the emphasis having established that we have the basic product that can be sold for certain applications that puts us in a position to really pursue the commercial opportunities aggressively.

<Q – Joe Mondillo – Sidoti & Co. LLC>: And so at this point, do you have a sense of near-term next 12, 18 months of what kind of volume. Given the success, given your conversations with the customers, the OEMs, do you have a sense of volume and how significant of an improvement could we potentially see in financials in 2021 regarding all this?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Well, I think the only thing we've said is that we're aiming towards being somewhere around the breakeven level by the end of next year. That implies that there will be additional volume during the course of the year, and that will build up over 2021. At this time, that's our plan. We have to firm up the relationships with the potential customers and I don't think we're prepared to say anything more than to outline that general structural scenario at this time.

<Q – Joe Mondillo – Sidoti & Co. LLC>: Okay. Understood. Just, I guess transitioning to the core truck business. As far as the backlog when you look at the year-over-year trends at the backlog, can you talk about what regions are positioned better than others going into the third quarter? Is EMEA backlog a little better than Americas, because all the plant shutdowns that you saw in EMEA or just maybe give us a sense of backlog trends?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Well, I really think the issue is much more the pace of bookings and the return and the slope of various industries and increasing bookings over the next – the remainder of this year and into 2021. As we noted in our remarks, the trends are encouraging including through July, but – and so we have reasonable visibility because of the backlog slot filling process for the third quarter and we've indicated what we think will be the general results in the third quarter.

On the other hand, as soon as you get into the fourth quarter, you're still talking about bookings in August and September and perhaps even October, but probably mainly August and September is having an impact on the level of production.

As Rajiv indicated, we're managing our production – each production line and each plant very, very closely, so that we're balancing on a weekly basis, incoming orders and the perspective on firming up orders that we see in our pipeline with the production schedules and the backlog maintenance to ensure that we're neither short of backlog in terms of ensuring smooth supply of component parts nor too long in the backlog, so that lead times are extended out beyond competitive levels.

That process is very, very active, it's being done at a senior job – senior level in the company in order to – in the way that Rajiv outlined. And as we see the orders coming in, we'll be making adjustments. It's going to depend an awful lot on which industries come back and which ones remain suppressed. And we're trying to do as much of our forecasting now on an industry basis as we can. Historically, that wasn't tremendously necessary. The mix of industries was relatively consistent from year-to-year with some growing more rapidly than others.

Now, we've got a very different pattern. And so, we're really trying to analyze the prospects in each industry looking at our position in the industry, how we can enhance to our industry strategies in our industry selling programs, our position in those industries that are returning more quickly than other industries. So I think that's really the way to think about the process that we're going through.

**<A – Rajiv Prasad – Hyster-Yale Group>**: Yeah, the only thing I'll add to what AI has just said is, that I don't know if you remember our comments in 2019, but throughout 2019, especially for our Americas backlog we had excessive backlog, and that was predominantly due to some supplier not being able to - putting us on kind of short component supply.

And so, we came into the year with much higher backlog than we would like, and it was impacting some of our lead times. So we've done two things to – we've worked through some of that backlog, in parallel to that we've reduced our production rates. So the important thing for us is the ratio of backlog to shipments and that still is in a very healthy situation.

**<Q – Joe Mondillo – Sidoti & Co. LLC>**: Okay. And just regarding the bookings trends, I mean it's still down year-over-year 25% in June. Is that at all surprising relative to what you're seeing in the overall market, I just thought given the fact that, you have a decent exposure to warehouses, logistics, food and beverage, certain parts of the economy that probably should be actually doing pretty well.

So, how do your order trends compare to maybe the market relative to those, in the context of that, those other markets that I was referring to?

**<A – Rajiv Prasad – Hyster-Yale Group>**: Yeah, so maybe I'll take this one...

**<A – AI Rankin – Hyster-Yale Materials Handling, Inc.>**: Well...

[indiscernible] (00:39:59)

**<A – Rajiv Prasad – Hyster-Yale Group>**: ...so if you look at, we do have warehouse customers, but our strength is in counterbalance trucks and big trucks, and especially supporting the heavier industries. And they have been slower to come back. We've had success in the warehouse side of the business, but if you look at it from a importance to our business, those other segments are both important from units as well as revenue point of view. So those have been slower, but we're starting to see some early signs of activity in those industries.

**<Q – Joe Mondillo – Sidoti & Co. LLC>**: And when you look at say the counterbalance in truck markets, are your orders in those categories sort of comparable to the market or how do they compare?

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**<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>**: Well, again it goes back to the industry comments that I made and that's why tracking industries is so important. But if your question is are we industry by industry maintaining our share position, I suppose the answer is generally less yes. But with the, I would note that there are large customers that we have and that our competitors have or that we share business with, and the cycle of buying of those customers can influence the timing of when orders come in for us. And so, from year-to-year or seasonally within the years, you can find tremendous variation depending on whether our customers are in fact buying in this particular cycle.

So, we have to take all that into account and that's why our sales efforts with those larger customers are so important. Our visibility in which we're really focused on and to what their buying intentions are, ensuring that we maintain our position with all of the major customers that we've been doing business with, while at the same time we have a major effort underway to enhance our position with customers that we've now identified in considerable detail, particularly in North America and in Europe, Middle East, and Africa that are our larger customers, where we have not had as much success.

We feel that we're well positioned with our industry strategies and our focused sales efforts to enhance our position with those new customers, but it also takes a while to have the full impact of our – from our new products and our selling activities. And I would say candidly that to some degree that's probably been hampered by – with those new customers, probably our efforts have been hampered by the pandemic, although we had really focused in strengthening our inside sales activities and all of the things that would lead us to be able to do well with them and to some degree it allows us to be very fact oriented and work very hard to address particular concerns and issues that the customers have in both the industries that they're in, but that also arise from the customers positioning in those industries. So, that's a real focus for us and we think has enormous long-term potential, particularly in the context of the new products that Rajiv said we were focusing on, that are able to be highly tailored to meet customer application needs and considerable detail and more detail than has historically been [ph] true in the (00:44:24) industry.

**<Q – Joe Mondillo – Sidoti & Co. LLC>**: Yeah. So, I wanted to actually ask about the new products. You answered part of it, but – right there. But – so are these new products two-fold, where they are going to help your customers and then, in the end help drive market share for yourself? And then, secondly also work with your modules – work in line with your module – new module production. So, it's also going to lower your cost basis at the same time as providing a better product for your customers?

**<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>**: Yeah, I think I'd also just focus on the one thing that you specifically mentioned which is that we think the quality will be enhanced as well and Rajiv, would you like to add anything to that overview?

**<A – Rajiv Prasad – Hyster-Yale Group>**: No, I think that was correct. We think we will be able to take those products to better meet our customers' needs and that typically leads to lower cost of ownership experience for them through better quality and having the right solutions for their application. And then taking the modular approach and our sourcing strategy, we do think – and the optimization being done in our plant, we do think the cost is going to be lower than current.

**<Q – Joe Mondillo – Sidoti & Co. LLC>**: Okay. And as far as your cost – changes to the cost structure, you quantified \$50 million to \$75 million of which you're going to see a good portion of that hit in the back half of the year. Is anything permanent – any permanent changes that you've made to the cost structure?

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

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**<A – Rajiv Prasad – Hyster-Yale Group>**: Yeah. I think a significant amount of the cost reduction is what I would call transient, it's more compensation related. But we are working as I mentioned in my portion that we are reorganizing our plants to be more productive. And also we're looking at our kind of SG&A and what that needs to be longer term and there are some strategies and projects in place to improve that using some of the experience on learning through this COVID period. So we do think that some of it will be for the longer term, but I think the vast majority is more transient.

**<Q – Joe Mondillo – Sidoti & Co. LLC>**: Okay. And how do we think about those transients cost coming online, specifically I'm referencing some of those growth initiatives type costs that we were expecting to sort of plateau into 2020, but I believe you sort of curtailed some of those costs. As the pandemic hit, so how do we think about costs coming online relative to volume increases?

**<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>**: Well, that's a very difficult to answer – question to answer at this time. And I think in general we'd probably decline to answer it. And the reason is this, we indicated that we still consider that the bookings trajectory is extremely uncertain, and I think that we have to be able to manage the business with a cost structure that is in line with the market that we see.

So as the business returns, as business levels move up, we'll begin to add those costs back some time, could be as early as the second quarter of next year, and we'll prioritize them. We'll think about adding back compensation reductions. We'll think about adding back programmatic reductions, especially for the strategic projects. But as Rajiv just pointed out, we'll also be looking at further cost reduction programs, which could allow us to bring back some of the more temporary reductions, particularly in compensation.

And so it's all a balancing process. And I think as we get a clear picture on how bookings are likely to evolve over the remainder of 2020, and looking into 2021, we'll be able to address those questions. But at the moment, we're going to manage this as we said literally on a weekly basis to make sure that we're responding to the changes in the marketplace. We're going to manage our cost structure in line with what the market has. So that's the way we have to leave it at this point.

**<Q – Joe Mondillo – Sidoti & Co. LLC>**: Understood. Just one last question if you will for me is regarding cash flow and I may have missed this Ken. As far as in an environment where you're sort of predicting maybe a slight loss in 3Q, and then improving in 4Q in that kind of an environment. What are you looking at in terms of inventory and I guess just overall cash flow expectations in the back half? I'm sorry if I missed that in your prepared commentary.

**<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>**: Ken?

**<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>**: No problem Joe. I think a lot of that is reflected in the commentary on the directional aspect of our net debt, as well as our working capital programs. During the quarter, we saw a spike in days for receivables and for inventory, as we readjusted our scheduling, days in inventory I'm talking about, based upon a forward look of what we expect to produce.

As we've gone through the quarter, we closed – we began to see reductions in that spike. They are now back to normal levels, but we still are working towards that and I think for the most part inventory has got – we've got an excellent plan to manage our plants and produce on agreed upon schedule that allow us to get inventory back to those levels. We're not seeing a lot of resistance in getting receivables back on track, although there still is some outliers. I'm sure other companies have that same challenge, and of course payable days we've been negotiating and working with our vendors to extend days where we can.

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All-in-all, we would expect to continue to reduce working capital, but as we work through the increase in the forward forecast if a recovery is shown, obviously we'll have to restore the levels of inventory necessary to support the forward schedule. Even if we get back to targeted days, Joe. I hope that was helpful?

**<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>**: Again, let me just emphasize that that's the reason we focused on as weekly management process. So our approach is to keep the production levels at a very conservative level in our plants. And then on each line and each plant as we see strength, we collectively in the marketplace in bookings and expected bookings, we selectively, line by line, permit increases or if there are decrease we decrease the rates.

All of that is being done not just to avoid inefficiencies and to be conservative as the general matter, but it's just absolutely critical that we manage the supply base, so that we only have the inventory that we need. So as Ken pointed out, we did when the plants closed or we're on reduced working time, have some bubble in the inventory which is worked off or will be relatively soon. And what we don't want to do is to have any bubbles emerge as we look forward to the remainder of the third quarter and the fourth quarter and then into 2021. So we're managing close-in [indiscernible] (00:53:54) to prevent to keep exactly the right amount of supplier component inventory that we need.

**<Q – Joe Mondillo – Sidoti & Co. LLC>**: All right. Got it. Well, thank you for taking all my questions I really appreciate it. I hope everyone is safe and doing well and good luck with everything in the back half of the year.

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

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

**<A – Ken Schilling – Hyster-Yale Group>**: Thank you.

Operator: There are no further questions, at this time.

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

Okay. Thank you very much everyone for joining us today. We do appreciate your interest and if you have any additional questions, please reach out to me and my information is on our earnings release. Thanks so much and have a good day.

Operator: Thank you.

**Alfred M. Rankin, Chairman, President, and Chief Executive Officer-Hyster-Yale Materials Handling, Inc. & Chairman-Hyster-Yale Group, Hyster-Yale Materials Handling, Inc.**

Thank you. Bye-bye.

Operator: Thank you. There will be a replay of today's call available in approximately two hours. To access the replay please dial in at 1-800-585-8367 or 1-855-859-2056 and reference conference ID number 8996564. Thank you. This concludes today's conference call. You may now disconnect.

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