PARTICIPANTS

Corporate Participants

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

Other Participants

Chip Moore – Analyst, EF Hutton Group
Steve Ferazani – Analyst, Sidoti & Co. LLC
Brett Kearney – Analyst, The Gabelli Mutual Funds

MANAGEMENT DISCUSSION SECTION

Operator: Good day, and thank you for standing by. Welcome to the Hyster-Yale Third Quarter 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. [Operator Instructions]

I would now like to hand the conference over to your first speaker today Ms. Christina Kmetko, Investor Relations. Ma'am, please go ahead.

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

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

Yesterday evening, we published our third quarter 2021 results and filed our 10-Q, both of which are available on our website. Today's call is being recorded and webcast. The 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, Chairman & Chief Executive Officer, Hyster-Yale Materials Handling, Inc.

Thanks, Christy, and good morning, everyone. Results for the 2021 third quarter are again very mixed and most importantly, at a much lower operating profit and net loss level than we had thought we'd be reporting.

As suggested last quarter, lift truck market demand during the third quarter continued to grow over 2020 levels, but as expected, it decreased from the second quarter 2021 as markets moderated. As a result of the year-over-year market growth and share gain, Hyster-Yale bookings were strong and at high levels, which contributed to a new record lift truck backlog level exceeding the historically high level achieved in the second quarter. Given these factors, the Lift Truck business has robust production plans in place and is fully slotted for – and its plants are fully slotted for the remainder of the year and well into 2022.

Last quarter, we indicated we expected significant losses for the third quarter at Hyster-Yale Group as a result of anticipated continuing supply chain constraints, significantly rising material and logistics costs leading to margin contraction for trucks in the backlog, as well as our normal plant shutdowns. Further, the global supply chain and logistics constraints we saw in the second quarter accelerated beyond what we were expecting, and their impact on Hyster-Yale became significantly worse, similar to the impact on a number of other companies. This exacerbated our component shortage issues and had a severe impact on our ability to ship units. As a result, our third quarter shipments were only modestly higher than the second quarter and substantially lower than we expected with the largest impact felt in our Americas division where the ability to receive components needed to build certain trucks on schedule was poor.

These factors at Hyster-Yale Group coupled with unfavorable inventory and equipment adjustments at Nuvera due to reduced near-term sales prospects led to substantial operating profit losses and to net losses for the consolidated company for the third quarter. As you would expect, given the impact of these supply chain and logistics problems, an expanded team is working diligently to obtain the components we need for production and to increase margins in our backlog and for new orders.

Further, given the very high backlog, the opportunity for increased production and supply chain bottlenecks, our resolve is high. After Christy reviews the financial results for the quarter, 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 financial outlook in this very difficult and dynamic environment. Christy?

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

Thanks, Al. I'll start with high level comments about the quarter and then discuss the individual segments. As Al mentioned, due to market level changes and share gain, we had a 63% increase in Lift Truck bookings over the third quarter of 2020, but our bookings of 37,100 units decreased 20.9% from the extraordinary record level booked in the second quarter. We ended the third quarter with a historically high backlog of 98,800 units. Our third quarter unit shipments increased 12.6% primarily driven by our EMEA and Americas segments, and our revenues increased 14.7% from the prior year third-quarter unit shipments and revenues.

Higher shipments and parts volume in the Lift Truck business and at Bolzoni resulting from increased customer demand along with favorable currency movements and the favorable effect of price increases in the Lift Truck business were the primary drivers for the increase in our 2021 third-quarter consolidated revenues to $748.2 million, up from $652.4 million in the prior year. Despite the higher revenues, we reported an operating loss of $54.3 million compared with operating profit of $7.3 million in the prior year. This was the result of several significant factors including cost increases of $37.2 million driven by significant material cost and freight inflation, higher unfavorable manufacturing variances of $6.4 million resulting from inefficiencies associated with component shortages, and higher operating expenses of $13.7 million primarily due to the elimination of many of the cost containment actions taken in 2020.

In addition, as a result of a reduced near-term sales forecast, Nuvera reduced its inventory value by $14.8 million to an estimated net realizable value in the near term and recorded a $10 million fixed asset impairment charge to reduce the carrying value of its fixed assets to market value. As a result of these factors and a $38.4 million charge to establish a valuation allowance on certain US deferred tax assets which Ken will discuss in more detail, we reported a consolidated net loss of $77.2 million compared with net income of $5.1 million in the prior year quarter.

Turning to the segment results, our Lift Truck business reported an operating loss of $21.3 million, down from operating profit of $16.2 million in the prior year quarter, primarily due to a significant decrease in gross profit and higher operating expenses in the Americas and EMEA segments, both resulting from the specific factors I noted in the discussion of our consolidated results.

By far, our Americas division felt the greatest impact of production delays and higher costs with EMEA experiencing the same difficulties but to a lesser extent. However, in JAPIC, the lower gross profit was mostly offset by lower operating expenses. Bolzoni's revenues for the 2021 third quarter increased 42.2% over the prior year. Despite these higher revenues, higher material and freight costs and component shortages resulted in Bolzoni reporting breakeven operating results which were comparable to the prior year quarter.

Finally, at Nuvera, revenue decreased to $200,000 in the third quarter from $700,000 in the prior year. As a result of the $24.8 million of unfavorable inventory and fixed asset charges, Nuvera's operating loss was $32.5 million, up from $8.7 million in 2020.

That completes the update of the results for the quarter. Now, let me turn to Rajiv who will provide an overview on our operations and our strategic projects.

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

Thanks, Christy. Our sales team continue to improve market share in this strong market environment. The global lift truck market increased approximately 23% over the prior third quarter, but compared to the second quarter, the market decreased more than 14% due to downturns in all markets except Latin America.

The market improvements over the year – prior year quarter combined with our share gain programs as well as long lead times and the pull forward of orders before price increases went into effect translated into an increase in the company's 2021 third quarter bookings that exceeded market growth.

We expect the global lift truck market to decline in the fourth quarter of 2021 compared with the prior year fourth quarter, and that markets in 2022 will recede from the historical highs of 2021. However, both periods are expected to remain significantly higher than pre-pandemic levels.

As a result of this market outlook, our Lift Truck business is anticipating a substantial decrease in bookings in the 2021 fourth quarter compared with the third quarter of 2021 and in the succeeding 2022 quarters compared with the respective 2021 quarters.

Many industries, including our own, are experiencing a significant increase in demand as markets recover, and this is causing significant stress on the global supply chain with significant intense – significantly intensified over the past quarter.

Our supply chain group has continued to work diligently to address the challenges related to component shortages caused by supplier constraints and logistic challenges. These challenges are arising due to shipping space availability in China, congestion at US ports, and a shortage of truck available to move the goods once they're received at a US port as a result of the general lack of truck availability and labor shortages. All of these factors have limited our ability to receive part at their originally scheduled time.

We have put significant effort into securing components through other channels, including different shipping methods and other vendors. However, the limited availability of alternative shipping methods and build to order highly configurable – configured nature of our components mean that alternative vendors that can provide the necessary components are very limited, and therefore, counteracting these constraints successfully has proven to be very difficult. As a result, despite the high backlog, unit shipments were only modestly higher than the 2021 second quarter. In fact, these factors led to a large increase in backlog over the 2021 second quarter and to a new historically high backlog level. This has extended delivery lead times substantially.

A single most significant issue right now is managing margins in our record backlog for new orders, and our Lift Truck business, we have implemented price increases several times over the course of 2021 to address the effect of material cost inflation. But many of the orders in our backlog slotted for production in the remainder of 2021 and the first half of 2022 do not reflect the full effect of all these price increases.

As a result, we expect to continue to experience low margins in the fourth quarter of 2021 and at best in the first half of 2022 due to the lag between unit price increase went into effect and when they are realized as the units are shipped. Nevertheless, the Lift Truck sales team is working to try to improve these backlog margins. The team is also working diligently to ensure new orders are booked at target gross margins based on the future dates they will be shipped, mainly given the current backlog in the fourth quarter of 2022.

Now, let me spend a few minutes discussing our strategic initiatives. The Lift Truck business has three core strategies that are expected to have a transformational impact on our competitiveness, market position and economic performance. The first is to provide lowest cost of ownership while enhancing customer productivity. The primary focus of this strategic initiative is our new modular and scalable product – project, which are expected to lay the groundwork for enhanced market position by providing lower cost of ownership and enhanced productivity for our customers, including low intensity applications.

Additional to this, our key projects geared towards electrification of trucks for application now dominated by internal combustion engine trucks. Automation, product options and telemetry, along with operator assist systems, our second core strategy is to be the leader in the delivery of industry and customer focused solutions. The primary focus for this strategic initiative is transforming our sales approach by using an industry focused approach to meet our customers' needs. Finally, the third core strategy is to be the leader in independent distribution. The focus of this strategic initiative is on our dealer and major account coverage, providing dealer excellence and ensuring outstanding dealer ownership globally.

Bolzoni continues to focus on implementing as One Company – 3 Brands organizational approach to help streamline corporate operations and strengthen its North America and JAPIC commercial operations. It is also working to increase its Americas business by strengthening its ability to serve key attachment industries and customers in North America markets, but through the introduction of a broader range of locally produced attachments with shorter lead times while continuing to sell cylinders and various other components produced in Sulligent, Alabama plant. Bolzoni is also increasing its sales, marketing and product support capabilities both in North America and Europe based on industry-specific approach with an immediate focus on paper, beverage, appliance, 3PL and automotive industries.

Nuvera continues to focus on serving niche heavy-duty vehicle applications with expected strong near-term fuel cell adoption potential, using its 45 and 60 kilowatt engines, which were both released for sale late in 2020. As a result of these releases, Nuvera accelerated its 45 kilowatt engine commercialization operations for the global market.

In the fourth quarter of 2021 and in 2022, Nuvera will continue to focus on ramping up demonstration, quotes and booking for these products. In addition, Nuvera has initiated development of the new 125 kilowatt engine and continues to focus on applications in the forklift truck market. Overall, we continue to believe we have the right strategies in place for long-term growth once we can achieve resolution of component shortages and relative stabilization of material and freight costs.

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

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

Thanks, Rajiv. As you've heard from both Al and Rajiv, during the first nine months of 2021, we have experienced shipment levels which are far lower than our objectives due to supply chain logistic constraints. The results stemming from these challenges contributed to our need to book a valuation allowance against our US deferred tax assets, which Christy mentioned in her remarks. The valuation allowance was established based upon a review of our current – of our recent operations including cumulative US pre-tax losses, lack of available tax planning strategies and declining forecasts due to supply and logistics constraints. Due to these factors, the evidence no longer supported realization for our US deferred tax assets and the accounting rules required the need to record a valuation allowance in the third quarter.

We expect to continue to experience supply chain, logistic constraints in the 2021 fourth quarter into at least the first half of 2022. Nonetheless, we are expecting 2021 fourth quarter shipments to increase over the prior year fourth quarter and third quarter of 2021. Significant material cost inflation and higher freight costs which have continued to worsen in the 2021 third quarter and the current nonrenewal of the US tariff exclusions are expected to continue to affect the cost of components and freight negatively over the remainder of the year compared with the prior year.

We continue to work aggressively to manage the supply chain, logistics cost, component availability and tariff exclusions, and we'll adjust our prices for all new orders accordingly. Nonetheless, as a result of these factors and the increase in costs associated with the reinstatement of pre-pandemic salaries and benefits, we expect significant operating and net losses in the Lift Truck business in the 2021 fourth quarter and in the first half of 2022.

As a result of the core strategies discussed by Rajiv and the increased shipment volume potential of the higher priced lift trucks in our current backlog, as well as the Q4 2021 and 2022 anticipated bookings, we expect the Lift Truck business to return to an operating profit in the second half of 2022. However, for this to occur, we are assuming the stabilization or reduction of product and transportation costs and the continued expectation of improved component and the logistic availability. In addition, over this period in the longer term, we're also assuming the continued introduction of the currently released and additional modular and scalable product families and the continued implementation of cost saving initiatives.

At Bolzoni, we expect operating profit and net income to increase in the fourth quarter compared with both the prior year period and the first nine months of 2021. Over the course of 2022, we expect Bolzoni's component shortages to moderate and pricing to permit improved returns as the year progresses despite higher costs.

On a consolidated basis, given the extensive component shortages, significant material and freight cost inflation, as well as continued losses at Nuvera, we expect to have a significant operating and net loss in the fourth quarter of 2021 and the first half of 2022. Consolidated results are expected to return to an operating profit in the second half of 2022 assuming reasonable resolution of component shortages and relative stabilization of material and freight costs. We also expect to have moderated reduced losses at Nuvera as a result of enhanced fuel cell shipments.

While we expect to make additional investments in the business during the remainder of the year and in 2022, maintaining liquidity will continue to be a priority. We have adequate borrowing facilities in place to help us weather these near-term challenges. As at September 30, we had cash on hand of $61.4 million and debt of $428 million compared with cash on hand of $87.5 million and debt of $345.7 million at June 30. We were fortunate to be able to refinance our revolving credit facility and expand our term loan facility in the second quarter of 2021 to finance our growth and working capital needs during this challenging period. As of September 30th, we had unused borrowing capacity of approximately $245.9 million under our revolving credit facilities, compared with $313.9 million at June 30th.

I'll now turn the call back over to Al.

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

As we finish 2021, we will be focused on managing effectively in a challenging and dynamic environment. We continue to execute our near-term, our mid-term and long-term strategies, and remain focused on the safety of our employees. Our strategy for the longer term is clear and transformative. Our key projects, as well as the explicit objectives for the Lift Truck, Bolzoni and Nuvera businesses support this long-term strategy, but near-term prospects are uncertain as a result of a number of abnormal, largely external influences as we've discussed, specifically suppliers, manufacturing levels around the world and logistics issues which collectively create supply and cost challenges, as well as the timing of adoption rates for key fuel cell market segments.

End markets are strong. We have 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 behind us, we believe we will deliver solid sales and earnings performance and that our long-term strategies and prospects will have a very significant impact in the future.

We will now turn to any questions you may have.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question comes from the line of Chip Moore from EF Hutton. Your line is open.

<Q – Chip Moore – EF Hutton Group>: Good morning. Thanks for taking my questions.

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: Good morning, Chip.

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

<Q – Chip Moore – EF Hutton Group>: Good morning. I was wondering if we could maybe drill into pricing action a bit more in relation to the current backlog particularly in relation to margin, right, as we've talked about layers in the past. This quarter was, I think, the lowest margin level in at least the last decade. Should we think about modest sequential improvement over the next couple of quarters assuming things don't get worse on the supply chain front. And then also maybe you could speak to mix a little bit, how much of an impact was that this quarter and how do thing look in backlog?

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

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Sure, Chip. So, I think the first thing to say with our – as we've talked about our supply chain challenges, we're generally building trucks that we've booked in the fourth quarter of 2020 and first quarter of 2021. I think mix is not a huge factor. The primary driving force in our margin compression is commodity price increases which have been, not linear, but one would call them exponential, at least early on in the process to sustain for a lot longer than we were expecting or I think anybody else was expecting. And then the secondary hit was the challenge with logistics. I don't know if you've been tracking that but we have global supply chain and freight cost from the East to give you a sense for it, a typical 40 foot container used to cost us $2,000 to $3,000 to bring in. And last quarter, we had spot prices of up to $30,000 for the same container. So, those were certainly unpredictable and had a huge impact on our margin compression.

Now, we do expect we'll continue to build backlogs that were booked in the first and second quarter through the fourth quarter and then in the first half of the year, we'll book – we'll build things that were booked in the – up to the third and into the fourth quarter of this year. So, margin – as Ken said, the margins will improve as we build trucks that have been booked more recently with more of the pricing in it. The last thing I would say is the trucks we're booking right now have the full price to cover all the inflation we've seen. The unfortunate thing is we don't see ourselves building these trucks well into the third quarter of 2022 just because of the backlog. I don't know if that can answer...

[indiscernible] (00:27:10)

<Q – Chip Moore – EF Hutton Group>: Yeah. No, that...

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: I'd add just a couple things to that. The price increases started most aggressively at the beginning of this year I think roughly speaking. And then as costs for the future were accelerating, we put more increases in place at various different times between January-February period and in fact, quite recently. So we've been trying to respond to forecast of future prices out in the time that trucks were meant to be shipped. Unfortunately, that process is long and it's been uncertain. And so, as the cost increases have accelerated, it's been very difficult to catch up. I would say that as far as future cost increases are concerned that relate to bookings we're making now, that we're being very careful about assuming any price moderation and in fact, we're assuming certain kinds of cost increases, so that we're trying to be very conservative about our cost structure for trucks that are now being booked that will be shipped more or less nine months to a year from now. So that's another dynamic that's going on in this whole process. But the costs – the future costs just accelerated at a faster rate and as shipments as have been outlined were later and that caused us to have this buildup. But the level of the price increases accelerated, and therefore, we should be catching up on it as we go forward over the quarters of 2022.

<Q – Chip Moore – EF Hutton Group>: Got it. Makes sense. That's helpful. Thanks. And my second question is around CapEx. I think [ph] you talked about $50 million before. In (00:29:36) the back half of the year, I think that's a little bit lower now. Obviously, if we take the focus on liquidity in this unprecedented environment for this period, if that's delaying any of the strategic initiatives or is everything on track there?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: So let me just say that we are scrubbing our CapEx as you would expect in this environment. But we're working very hard not to do anything that would delay critical strategic programs, especially those that would get – relate to share gain and the implementation of those kinds of long-term programs, product, and sales and marketing programs. So, I feel that on the CapEx side, it is a very, very disciplined process for both this year and next year. But I think perhaps even more important thing to understand is that the – we have an enormous inventory bubble that is related to past due trucks that have been hung up because of the supply chain shortages that have had an impact on us. So, what we've done – what we're focused on now is making sure that we produce those past due trucks, bring down that inventory and working capital bubble very dramatically. And then our only purchasing new inventory that clearly we – can be built given the supply chain constraints that we're operating under. So, I would attach more importance at this point to the working capital management than further reductions in CapEx.

<Q – Chip Moore – EF Hutton Group>: Got it. Okay. No, that makes sense. And just last one for me. Just curious on Nuvera, if anything is changed materially since last quarter, right we were talking about accelerated commercialization efforts, developing the new larger engine. Just I guess when we might expect to see some traction on the bookings front [indiscernible] (00:31:57)?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah. Chip, so Nuvera is again – if I – let's just take our – what we are doing with our own fuel cell program to the example of what's happening, so as you know, we got some fuel cells in the marketplace as what we call battery box replacements or BBRs. And we've gained a huge amount of feedback on the performance of those in the field, and we've improved the robustness of our solutions using that data. So that's one thing. We've learned a huge amount. The second thing is we're - applying – we think the future for us is an integrated fuel cell in our trucks and we're starting with our bigger trucks. So, first quarter – well, early in 2023, we're working on having a complete solution for ports which will be fuel cell based, that's – we'll have a terminal tractor which we're developing jointly which we've announced. We'll have our ReachStackers, the top picks, and empty container handlers, so these are the biggest trucks we make for port application. They'll all have fuel cell systems integrated into them.

So that's where the internal focus is and basically external development for taking similar time. It takes a little bit of time with the Nuvera customers to demo the product, develop prototypes, test the prototypes, and then release the product. What we're focused on are segments that we believe could benefit with – from fuel cell the – in the early stages of this market development, and those are typically the heavier duty applications on the trucking side, for instance. So, we've talked about refrigerated trucks or refuse trucks. So, product like that where we don't think if you electrify them, the battery solution will work very well. So, that's the focus that Nuvera is kind of moving forward with and those are the markets that they're discussing where then we'll talk more about that in the future.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: I would only add to that to amplify that the need for electrification in these heavy-duty segments appears to be quite broadly understood. What isn't so well understood by the potential builders and users of those vehicles is that pure battery solutions are unlikely to work effectively and productively in a significant portion of those heavy-duty applications. So, rather than offer – focus on sort of broad, very, very long-term solutions, we're trying to focus on ones where we think that there's very limited battery electrification solution available and where our fuel cells will really be the right way to fill the gap as they move to a non-carbon solution.

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: I hope that helps you Chip, and again, we'll talk about this more in the future as things solidfy.

<Q – Chip Moore – EF Hutton Group>: No, makes a lot of sense. I agree with that. Thank you.

Operator: Thank you. Your next question comes from the line of Steve Ferazani from Sidoti and Company. Please proceed with your question.

<Q – Steve Ferazani – Sidoti & Co. LLC>: Good morning, everyone. Just want to ask about – I'm looking at the Bolzoni numbers, which clearly are improving. Sequentially, revenue was up, even though it's usually the seasonally weaker European quarter, given its larger European exposure. Even the margin is not that bad, given material prices and freight costs. Is it simply the answer that it's doing better simply because less components, less complexity or is there something else at work?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: I think the main thing that's at work is that the cycle time is much shorter. So Rajiv, the time, from order to delivery, would be...

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Six to eight weeks.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: ...just six or eight weeks, where it could be six or eight months for a forklift truck. So they have the ability to respond to freight material cost, and freight cost increases much more rapidly than the forklift truck business does.

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah. I mean I think the really great situation for Bolzoni is the huge amount of backlog, not just we have, but competitors have too in the marketplace. We expect significant shipments in 2022. And the orders for the attachments will probably come six to eight weeks before the delivery of the truck, not when the trucks were booked. But to a certain extent, our backlog is showing Bolzoni, the potential – the market potential, and we're very excited at Bolzoni about what will happen in 2022 and going into 2023. So, very positive market for them.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: And you combine that sort of broad market perspective with the initiatives that Rajiv outlined in his strategic summary, the focus on one company activities with a particular emphasis on industry strategy work and the enhancement of our delivery capabilities in North America. We think we have a very powerful engine going there.

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

<Q – Steve Ferazani – Sidoti & Co. LLC>: I wanted to ask about lead times and how it affects orders. And sort of getting two different answers on that. as I ask because every company seems to be going through growing backlog and extending lead times. Some would say the lead times is a deterrent, but others are saying that they're seeing more orders because people know there's going to [indiscernible] (00:38:43) and they are already looking that far ahead [that it perhaps is driving order intensity. What are your thoughts?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah. I think generally, if we take just a step back and I'll talk about the dynamics of the current market in a moment. But ultimately, we believe a shorter lead time is better for everyone. Better for us, better for the market, better for our customers. But you're right, the current situation is basically getting customers to book ahead and we are seeing that. You can see last quarter we had very large backlog and you can see, we have even bigger backlogs now because customers want to make sure that they have slots in the queue for their need. And as you say, it's not just us to have the long lead times, it's all of our competitors and industry in general. So there is a significant amount of booking ahead going on because as we see, we are not getting any cancellations because of the long lead time. So, I think it is a transition situation. We would like to get back to – bill through the backlog and get back to more normal lead times. That's our primary mission.

<Q – Steve Ferazani – Sidoti & Co. LLC>: And as you think about that and as we're hearing about supply chain issues intensifying, not easing and that the durationperhaps expands, does that – and you've addressed it a lot. I'm just trying to think through workarounds and ability to deal with something that clearly has grown in intensity as the [ph] year has gone on (00:40:32) and certainly, no one's talking transitory anymore.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Right. I mean, just to give a very broad-based answer to that, I don't think people in general, whether it's the government or companies broadly and the public have internalized the degree to which consumer demand has increased during the COVID period over and above the level of demand in 2019, not 2020 because that was COVID influenced. But if we look today, we've had a huge increase in total demand, but it shifted. Restaurants, travel, entertainment have all gone way down. Goods have gone way up. And so the mix has changed. We have huge pent-up demand. People have had generous benefits that they've saved rather than spent.

And so, if you have any product demand for consumption by US consumers or consumers around the world in goods, then you've got to look at the whole supply chain structure. And [ph] what we (00:42:00) end up finding is that everything is out of capacity, it's the suppliers' capacity, it's the commodity producers' capacity. We have heard a lot about chemicals, you're hearing daily about chips. All of these are the result of this very substantial increased demand. And I think people have been, if you will, sort of on – not thinking carefully enough about the impact on the margin from a mismatch between supply and demand. Demand is high and supply is lower than demand, what you can get in many cases, particularly commodities and certainly now in shipping, is the kind of a cost increase that it's not marginal, it's not small to reflect a small imbalance. It becomes a bidding contest between those who really, really want to have the space on ships and those who just can't afford or see that opportunity.

So it's a very broad based issue that's coursing through the economy and the world in a way in terms of commodity development. So I think that's really the backlog. And one of the questions then is will that demand mix shift be sustained? I think that's partly the $64 question here because it's going to take time to break all of the supply chain constraints. You've heard about chip manufacturing. It is going to take a couple of years to bring new chip fab operations onstream. And so, what we forecast is a decline in the market compared to the last couple of years in 2022 because we think that there's going to be some kind of shift back as COVID moderates toward more expenditures on travel and entertainment and so on and so forth. So that's kind of a very broad overview, but I think it captures the dynamics. And you miss that when you just focus on what's going on in the Lift Truck business.

<Q – Steve Ferazani – Sidoti & Co. LLC>: Yeah. That's fair. Appreciate the thoughtful answer. Thanks, everyone.

Operator: Thank you. [Operator Instructions] Your next question comes from the line of Brett Kearney from Gabelli Funds. Please proceed with your question.

<Q – Brett Kearney – The Gabelli Mutual Funds>: Hi, guys. Good morning. Thanks for taking my question.

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

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

<Q – Brett Kearney – The Gabelli Mutual Funds>: Hey. So it sounds like increasing product demonstrations at Nuvera is encouraging. I was curious how much of that is based around the new test facility you've been able to establish in Italy and whether there's thoughts on similar establishments in some of the other geographic markets. It sounds like there's more interest in North America. And I guess tied to that, it sounds like the China bus market proceeding a little bit slower than initially anticipated. Just strategically, how you're thinking about resources and allocating them at Nuvera going forward?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah. I think, Brett, the first thing to say, the interest in fuel cells is increasing. And if I just characterize it, what's happening in China is there is a transition and it's government-led from thinking about buses for fuel cells to truck. Trucks are becoming much more important for fuel cell application in China.

In Europe, thinking – really starting to understand fuel cell as a long-term solution for mobility is gaining huge momentum. There is a large amount of programs – government-sponsored programs, being put in place. And then, some of the regions in North America, particularly California and some of the East Coast geographies are starting to see that also. So, overall much more interest and understanding that fuel cell is a critical part of our electrification journey as we move forward.

The second area is if we think about where the applications are, people are starting to think about applications in phases. So, the initial phases have been truck – vehicles that are captive to a depot, let's say. So forklift trucks fit that category because of fueling. So, hydrogen can be made available in a depot and that can support vehicles. And we think that will go from forklift trucks to delivery trucks to, as I gave example, refuge trucks. We think airports are a good example. So we think the next phase is going to be these captive vehicles. And that's where Nuvera is focused right now, terminal tractors and the various types of trucks we've defined.

Phase three then is going to be trucks that are much more regional, so not long-haul trucks but maybe regional haul trucks. That's the next area for them. So, we see this evolution and that's the engagement we're getting with customer base both in Europe and in North America. And of course, we've already had our engagement in China forward. What is taking time is developing these trucks because a lot of the customers have a huge amount of experience in internal combustion engine but electrifying those trucks and then adding fuel cells to it and create a robust solution is taking time which it is also for our own internal solution for lift trucks.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Yeah. Let me add to that a little bit that to the thrust of your question, the sort of prospects in the three big areas of the world for fuel cells, China, North America and Europe, have really, really adjusted significantly. If you think about China, one of the complexities it's become very, very clear in the last few months is – and particularly in the very recent period is that in a highly regulated economy, such as the Chinese, the priorities can change very, very fast, and the priorities are significantly backed up by subsidies...

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

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: ...and incentives. And so, when we entered into the commercial arrangements that we had in China and there were two major ones, the expectation was that the regulatory environment was going to make those very, very attractive on a broad basis. That's the only reason that we invested in the inventory and in the equipment. We have now, as you noted, reduced the value of both of those. But I would point out that inventory is perfectly good. It just can't be used up in the near term because we're not likely to have the sales. But it'll be sold at a reduced cost. It should be – very, very little of both the equipment and the inventory is not usable from our point of view. So, we are certainly concentrating on building – on gaining the business for those. But we're being very careful now to have contracts in China that are much more – have far more teeth in them and less opportunity to delay as government incentives change.

But I think the bottom line is the Chinese market for us has declined as a focal point relative to Europe and the Americas. And in fact, in Europe, we see significant opportunities. It's a different kind of regulatory environment in Europe. It tends, when it does get put in place, not to change their pro-addressing climate change in Europe, and we see significant opportunities and we're going to be working to focus on that probably far less in the forklift truck business and far more in some of these segments that Rajiv outlined. And we think that in the United States that the push for electrification is going to force the use of fuel cells in the kinds of applications that I described earlier. So, in total, it's building a rather fundamental rebalance in the likely prospect between the three major areas of the world in terms of near-term market development. They're all going to be important. We're going to play in all of them, but we see different emphasis right now.

<Q – Brett Kearney – The Gabelli Mutual Funds>: Yeah. Okay. That's very helpful. Thank you. And then maybe just one other quick one probably for Ken. You guys were proactive, able to complete that refinance back in Q2. And just curious whether I have it right, the restriction on dividends from a covenant standpoint, could you just maybe remind me of the financial covenant package included in that agreement?

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: Yeah. We have the ability of – as long as we maintain adequate availability as specified in the agreement to continue to pay dividends, to continue to move forward, and our goal is to maintain within those restrictions on availability to manage through the situation. The increase in the term loan B and the larger ABL, we did that to not only help us with the seasonal nature of our increased sales that we expected, but also to help us weather through this – the unexpected volatility in material pricing and material availability, as well as logistics. So, it was sized to consider those issues. We're continuing to work through that. And again, we'll manage to availability. The springing fixed charge isn't something that we're relying upon.

<Q – Brett Kearney – The Gabelli Mutual Funds>: Okay. Terrific. Very helpful. Thanks so much.

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

Operator: Thank you. There are no further questions on queue. I will now turn the call back to Christina. Ma'am, please, go ahead.

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

Thank you. That'll conclude our Q&A session. Al, do you have any final closing comments?

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

No final comments.

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

Okay. Thank you. We'll close with just a few final reminders. A replay of our call will be available online later this morning. We'll also post a transcript on the Investor Relations website when it becomes available. If you have any questions, please reach out to me. You can reach me at the number on the press release. Hope you enjoy the rest of your day. I'll now turn it back to the operator to conclude the call.

Operator: Thank you, Christina. Once again, as a reminder, the encore replay will be available approximately two hours after the conclusion of this call. You can dial out 800-585-8367 or 416-621-4642 until November 10, 2021 at 11:59 PM Eastern Time. Conference ID number is 4694256. Thank you for your participation. You may now disconnect.