PARTICIPANTS

Corporate Participants

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

Other Participants

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

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Chris and I will be your conference operator today. At this time, I would like to welcome everyone to the Hyster-Yale Materials Handling 2018 Fourth Quarter and Full-Year Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

Christina Kmetko, you may begin your conference.

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

Thank you. Good morning, everyone, and welcome to our 2018 fourth quarter earnings call. I'm Christina Kmetko and I am responsible for Investor Relations at Hyster-Yale. Joining me on today's call are Al Rankin, Chairman, President and Chief Executive Officer of Hyster-Yale Materials Handling; Colin Wilson, President and Chief Executive Officer of Hyster-Yale Group; and Ken Schilling, our Senior Vice President and Chief Financial Officer.

Yesterday evening, we published our fourth quarter 2018 results and filed our 10-K. Copies of the earnings release and 10-K 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 For anyone who is not able to listen to today's entire call, an archived version of this webcast will be on our website later this afternoon and available for approximately 12 months.

I would also like to remind participants that this conference call may contain certain 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 in either our prepared remarks or during the following question-and-answer session.

We disclaim any obligation to update these forward-looking statements, which may not be updated until our next quarterly conference call, if at all. Additional information regarding these risks and uncertainties was set forth in our earnings release and in our 10-K. Also certain amounts discussed during this call are considered non-GAAP. The non-GAAP reconciliations of these amounts are included in our earnings release and available on our website.

Now let me discuss our fourth quarter results and activities. I will discuss the highlights first and then get into the details.

In the fourth quarter, the global Lift Truck market continued to grow albeit at a slower pace. This strong market combined with increasing momentum from our strategic initiatives helped us generate a solid increase in our fourth quarter Lift Truck shipments, an 18.7% increase in bookings and a 30% increase in our ending backlog over the respective 2017 period.

Our average sales price per unit in backlog increased over both the 2017 fourth quarter and the 2018 third quarter. This is because we shipped more lower-priced units during the quarter, while shipments of higher-priced units, including Big Trucks were lower primarily because of continuing supplier shortages. We are addressing this issue and expect it to be broadly resolved by mid-year.

On a consolidated basis, our revenues increased to $837.7 million, up from $795.5 million last year, driven by increases in revenues at all three of our businesses. The Lift Truck revenues included $22.7 million of revenues on shipments of 1,600 units from our Maximal subsidiary, which was acquired in June 2018. Despite this revenue growth, and improved operating results at Nuvera and Bolzoni, we reported a consolidated operating loss of $3.4 million and a net loss of $1.2 million or a loss of $0.07 per share.

Last year, we had operating profit of $15.9 million and a net loss of $2.4 million or $0.15 per share, but last year's net loss included $18.4 million of unfavorable tax adjustments related to the 2017 tax reform legislation.

Our core Lift Truck business, Hyster-Yale Group, drove the fourth quarter consolidated revenue increase with revenues of $794.2 million, up from $751.6 million last year. However, this segment, primarily, our Americas Division also drove the decrease in our consolidated results.

Our Lift Truck business operating profit decreased to $4.2 million in the fourth quarter down from $23.7 million last year. The decline occurred because of material and freight cost inflation including import tariffs, net of price increases we have implemented, as well as manufacturing inefficiencies caused by supplier parts shortages and an increase in warranty expense.

We also had higher operating expenses due to an increase in incentive compensation resulting from an adjustment for the net impact of tariffs on our full-year 2018 results as well as an additional – as additional investments in the expansion of our industry-focused sales and marketing teams and increased product development costs to support a planned major upgrade to one of our core product platforms.

I would like to point out that we are still experiencing a lag between when we implemented price increases and when we actually realized those price increases in our unit revenues. The Americas, which is our largest segment implemented price increases during the first half of the year and a tariff surcharge in November 2018 to offset material cost inflation and tariff. But the fourth quarter operating results continued to reflect a $5.7 million shortfall resulting from this lag. The impact of this lag on our full-year results was $25.7 million.

While the fourth quarter results were not what we expected, for the full year, our Lift Truck business still generated $67.5 million of operating profit and $56.7 million of net income, despite many external challenges and conscious decisions made to incur additional costs to accelerate the execution of our strategic initiatives.

Moving to our Bolzoni segment. Bolzoni reported net income of $400,000 and revenues of $50.6 million for the fourth quarter of 2018 compared with net income of $600,000 and revenues of $49.4 million in last year's fourth quarter. Bolzoni's operating profit improved to $1.9 million in 2018, up from $1.4 million last year. Bolzoni's revenue increase is primarily the result of higher volumes in the EMEA market, and operating profit increased mainly because of improved margins on products sold, partly offset by higher operating expenses resulting from the continued implementation of Bolzoni's strategic programs specifically to increase its presence in North America.

Finally at our Nuvera segment, Nuvera reported revenues of $10.6 million in the fourth quarter compared with $400,000 in the prior year. During the fourth quarter, Nuvera recognized revenues that had previously been deferred on fuel cell battery box replacements sold to Hyster-Yale Group, our Lift Truck business. These revenues were eliminated in consolidation but Hyster-Yale Group also recognized revenues on the battery box replacements previously sold to the third-parties.

Nuvera's fourth quarter operating loss decreased to $9.8 million from a loss of $13.9 million last year. This reduction was mainly because of the absence of a $4.9 million asset impairment charge taken in 2017 and product development funding received from third-party customers. This improvement was partially offset by the recognition of higher warranty expense, higher employee-related costs, and an increase in product development and production start-up costs related to Nuvera's third-party development agreements that we discussed in previous quarters.

As I'm sure you noted, we provided a new investor perspective in our fourth quarter earnings release rather than a detailed 2019 outlook. We trust you will find this of greater value as it lays out the path we expect to follow over the medium- to long-term period as well as giving a perspective on 2019.

As we said in our earnings release, we are undertaking the largest set of transformational programs in our company's history, and we believe these will help us attain a much higher level of competitiveness, market position and economic performance over the next three years to five years.

We have spent a lot of time over the past few years communicating our strategic initiatives, in many of the projects we are undertaking to execute these initiatives. We believe many of these programs are moving toward completion. In total, these projects have acquired significant upfront expense in capital expenditure investment and cover a very broad range of activities for each of our three businesses.

Over the course of 2017 and 2018, these investments, both expense and capital increased significantly. We expect to continue to make investments in 2019, but we believe the return from these investments have started to be realized and is expected to increase over the next three to five years. While the early part of 2019 is expected to reflect the investment in all of these programs, the second half of the year is expected to be significantly improved in comparison to the second half of this past year.

Efforts in our Lift Truck business to find offsets to the tariff-driven unprecedented material cost inflation witnessed in 2018 are expected to mature during 2019, and efforts to abate the most critical supplier issues, which are still having an impact on our production lines, are underway with most expected to be resolved by the middle of the year. In addition, our current Lift Truck backlog contains certain deal-specific pricing agreements at less than target margins to gain targeted accounts and for which margin improvement efforts will take some time to mature.

These deals will also have an impact on profitability, mainly in the first half of the year. However, we do expect margins to recover from the 2018 material cost inflation and the strategically priced deals by the third and fourth quarters of 2019.

In this context, we expect 2019 operating profit at Hyster-Yale Group, the Lift Truck business, to improve over 2018, but results in the first half of the year are expected to be lower than the first half of last year and then improve in the second half.

Beginning in 2020, further improved results are expected, with significant continuing increases through 2023. Bolzoni's results are expected to improve in 2019 and in the following years with the target of 7% operating profit margin being reached in the shorter-term. Nuvera's results are expected to improve moderately in the first three quarters of 2019 with a breakeven target for both the fourth quarter and for the 2020 full-year.

At each of these three businesses, the investments being undertaken are expected to lead to increased operating profit through higher volume, decreased product costs and improved pricing, partially offset by a higher level of operating expense. As a result, overall, we expect 2019 consolidated operating profit to increase significantly with the improvement coming in the second half of the year.

Of course, the absolute level of profitability will reflect actual market demand levels. Our company is currently forecasting strong, but moderating market levels in 2019 and a resolution to Brexit in a way that does not significantly harm our company's business prospects.

Before I open up the call for questions, I wanted to make a comment about our cash position. At December 31, our cash was $83.7 million, compared with $220.1 million at the end of 2017. Our debt balance was $301.5 million, up from $290.7 million at year-end. The decrease in cash and increase in debt were primarily driven by the acquisition of Maximal and an increased investment in working capital.

That concludes my prepared remarks. I will now open up the call for your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your question comes from Joe Mondillo with Sidoti and Company. Your line is open.

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

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

[indiscernible] (12:26).

<Q – Joe Mondillo – Sidoti & Co. LLC>: First off, wanted to ask about the supply chain constraint challenges that you've had, just sort of what the status is and sort of how you're thinking about how this progresses through 2019?

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

<A – Colin Wilson – Hyster-Yale Group, Inc.>: Sure. If you split it down by location, Joe, the area that we've been impacted the most has been in Nijmegen on our Big Trucks. Three or four months ago, we were facing issues with around by 20 suppliers. Right now, it's down to three, and we have plans with each of those that we'll see us work our way out by the end of the first quarter and really catch up on all of our backlog issues by mid-year. We are facing some other issues to a smaller magnitude in North America. Again, we have plans for all of those, and we're working our way out from those. And again, come end of the first quarter, we expect to be in much better shape than we are right now.

<Q – Joe Mondillo – Sidoti & Co. LLC>: Okay. Just regarding sort of the delays in shipments and such, just curious what your customers are saying? Any issues with, I don't know, order cancellations or just any issues with what your customers are saying regarding these delays?

<A – Colin Wilson – Hyster-Yale Group, Inc.>: Well, whenever you delay shipments, you don't typically have happy customers. We've managed to work our way through with most. We haven't had any cancellations. I would say, we've had to push lead times out. So our lead times are in the 20 – depending upon location, but in Europe, we're sitting on our Big Trucks anywhere from 24 to 28 weeks; and the Americas, it's probably around about the 32-week line. Some customers won't wait that long. So, we have lost a few orders, but it's only a few on lead time. But, again, we expect to work our way out of this as we will go through the first quarter into the second quarter.

<Q – Joe Mondillo – Sidoti & Co. LLC>: Okay. And then on the price cost side of things, at this point, is it just like are things sort of put in place where you think relative to where the cost of materials and such are in place, and now it's just a catch-up. And if so, what point in time do you sort of see things catching up to normal margins related to price cost?

<A – Colin Wilson – Hyster-Yale Group, Inc.>: Well, whenever we put a price increase in place, we give 30 days' notification of the price increase. And typically, what happens is we get a flood of orders coming in to beat the price increase. We are looking at ways in which we can potentially stop that from happening going forward, but we have this – as you know, on the backlog, I mean a large part of the backlog is it all pricing. I mean anything new going into the backlog now is at new pricing.

So that needs time to work its way out. And really, given the length of – the size of our backlog, we see it starting to get better in the second quarter, getting much better in the third, and basically be fully recovered and that's the key thing. The flow of business and what's going into the backlog now is a pricing that basically reflects full – almost full recovery of the wave of inflation we saw last year.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: And I'd just add that inflation appears to be moderating. It's a little bit – it's early days this year, but it appears to be a little bit lower than our expectations were. So, some of the stresses in the heavy equipment market supply chain seem to be abating a little bit.

<Q – Joe Mondillo – Sidoti & Co. LLC>: Okay. Yeah, I figured that much. So now, it's sort of a catch-up. In terms of market demand, I'm curious to see what kind of trends you're seeing geography-wise, and even more so based on types of trucks, given some slowing environments in these industrial economies, I would think that potentially some of your heavy duty high price heavy trucks would potentially be seeing a slowdown. But could you just talk about sort of the geographies, the trends and type of truck orders, how things are turning now?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: I think the overview comment I'll make first, and then ask Colin to follow up is that we haven't seen any particularly consistent trends at this point. We have seen some month-to-month fluctuations, and we're at a time where we're watching each of the different types of trucks by class in a particularly focused way, and by capacity, to look for indications, which we can monitor pretty much month-by-month with a considerable accuracy especially in Europe, Middle East, and Africa, and North America, but really globally as well because, you know, we at least think that we ought to think that there are caution lights out there, and we're going to watch it like a hawk.

But at this point, we haven't seen any consistent indicators of a downturn. Now, certainly, we have seen moderation in the growth rates at this point. And so, we're not assuming that anything is going to be moving up as rapidly as it was. That's kind of the overview I'd have. Do you want to add anything to that, Colin?

<A – Colin Wilson – Hyster-Yale Group, Inc.>: I mean the demand in the fourth quarter was still up on a global basis over the prior-year, and the prior-year was very strong fourth quarter. But as Al said, I mean we've seen some moderating. Also, the market was very heavily distorted last year because of a – again, because of the price increases some manufacturers are putting in place where people are pulling forward orders.

So, again, global demand was up a couple of percent. The markets was down in the fourth quarter, but we're not overly worried about that, again, because we saw very strong quarters earlier in the year in order to beat the price increase.

Our markets in Brazil, which is an important market for us, is really recovering nicely. It was up almost 40% in the year-over-year, the European markets were up. Western Europe was up a little, Eastern Europe was up a lot, Middle East and Africa was down and even the JAPAC markets, China was up a couple of percent in the fourth quarter, that mean significantly down on the growth rates we've seen of late.

So, we see markets moderating. But as we probably see markets continue to moderate going into 2019, but we're still looking at a very strong market. And as far as the Big Truck demand is concerned, I mean it was very strong in 2018, and we expect it to continue to be strong, maybe it's not quite at the levels of 2018 into 2019, but again we saw very strong demand from around the world.

And we look at it by segment to Al's points, so we look at what's happening in ports and terminals. We look at what's happening in steel. We look at what's happening in mining. We look at what's happening in concrete. We look at what's happening in intermodal, and most of those segments are still very robust.

And so, we don't really see any significant decline in our demand. And, in fact, as we start bringing our lead times in, as we go through the first and second quarters, we're hoping that's going to actually provide us a stimulus going into the second half.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: And I think I'd add to that, and this is strictly from a market point of view as opposed to how we're positioned to gain share that I certainly hope that markets around the world, except where they've been depressed in areas like Brazil moderate.

We're at a high level, as Colin indicated, and to have them rise over these high levels by anything significant is just really inviting a bigger downturn later. And so, we are quite happy to go back to the low growth rates that have characterized really the years since the beginning of the upturn in 2008, 2009 rather than see these volumes continue to increase from where they are.

And then, in addition to just this cyclical impact, the supply chain base isn't really in place to support continued increases in the volume in any kind of efficient way. And so, for that reason as well, we hope they're moderate.

On the other hand, we're going to keep our eyes very carefully focused on whether we see any downturns. Even if they're not general, we want to be able to plan our production and inventory levels line by line in our factories to minimize our inventories and manage efficient production. So we've got a tremendous incentive to watch the numbers that you are asking about.

<Q – Joe Mondillo – Sidoti & Co. LLC>: Okay. Is there any way you can have a sense of sort of what the product mix may be looks like for 2019 versus 2018, because I know that can fluctuate margins quite a bit. Your backlog is quite strong on a relative to a margin basis because you're seeing some delays in these Big Trucks' shipments. Does that mean that maybe we could think that product mix is a positive for 2019 or is it still sort of too early to tell and how maybe the back half...

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Well, in terms of shipments, I think it's probably fair to say that we have a reasonably rich backlog at the moment; some of it because of the supply constraints that you mentioned. But I think our earnings release has some specific comments about the value of the backlog and the value of the backlog per unit in a way that I think is beneficial to us.

That's particularly important too because some of the unit volumes, the unit areas of the market that have grown the fastest are in Class 3, which are, in some cases, extremely low value trucks. And so, the units have become a far less important indicator of a backlog than the dollars in many ways. Colin?

<A – Colin Wilson – Hyster-Yale Group, Inc.>: Yeah. I mean, and Joe, if you look at the perspective that we put in the earnings release and think about what we've talked about in our investment (sic) [investor] days and in investment (sic) [investor] decks, we're really putting a lot of emphasis on our new industry focus and we're emphasizing the industries that basically we'll provide a richer mix of products.

And so, from a market share perspective, every unit counts as one, but we're really looking beyond that now and focusing on value segments by value, I'm talking about high value, not only high value of the truck, but also what margins are available from the types of customers that we can sell to. So focusing not on just volume growth, but also on growth of margin dollars and margin percent.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: And that's a particularly important point that we try to bring out in the investor perspective that we've got a lot of individual projects that are supporting our six strategic initiatives, and those are coming together at an increasingly rapid rate at roughly the same period of time.

So you have our increases in sales coverage, our industry strategies and the industry focus in our sales activities, products and a variety of other support activities, all of which are designed to enhance the value of our backlog and increase our market share position in these more attractive market segments as we go forward.

Doesn't mean we're ignoring the others. We are increasingly using low-cost countries, in some cases, for some of the low-value items, particularly some of our customers find that they don't need all the capability they had and they're happy with a lighter-duty product in some of those low-value segments.

But I might add, we've got, even in the higher value segments, especially for Asia and the developing countries, we have a new line of utility products that are all coming into the market. That's happening basically as we speak, beginning now and throughout 2019. So there is a lot of new product activity occurring in the next couple, three years that should have a very big impact pretty much on across the board on our high-value lines.

<Q – Joe Mondillo – Sidoti & Co. LLC>: Okay great. Wanted to have a couple questions on Nuvera. Could you update us with the China bus project and what you're doing there? And sort of, I don't know, if you can give us any timing of when deliveries start. It seems like, most likely, maybe by fourth quarter because that's when you're sort of projecting breakeven. And then, in terms of sort of your – well, maybe you can address that. Could you just update us on what you're doing with that China project?

<A – Colin Wilson – Hyster-Yale Group, Inc.>: We're still in development. We are getting quite advanced in terms of our ability to deliver. And the projection of our fourth quarter results reflects what we not only the output from these developments, but also the increase in our BBR business, as we complete the transition of the BBRs to Greenville plant, and start ramping up the volume with the new product designs that we've got coming out.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: We've got two significant projects going on in China and they're a little bit different than our traditional projects. And even different from the BBR business because they have our -- they've been structured with significant payments to us for development work that's associated with developing the specific capabilities that are necessary for that particular customer relationship.

So, there's not necessarily a direct parallel between unit shipments and the receipt of reimbursements for expenses that we're incurring with the margin along the way. So, there are a lot of things that are happening. If we look at the plan, they come together, as we've said in the earnings release, in the fourth quarter.

Make no mistake, there's plenty of challenge left for the team at Nuvera to get all those pieces to come together. They too have supply chain issues that they have to work through. They tend to be a little different than the ones we have now in the forklift truck business, but they're still significant, as new components are released, and we move toward their cost objectives in the BBRs and the new components and the new engines in the bus business that you mentioned.

But there is nothing fundamentally that isn't moving in the right direction from our point of view, at this point, we'll watch it carefully, and give Nuvera every support that we can. We have, and it's very knowledgeable and capable people and our supply chain activities in the forklift truck business, and on some of these contract negotiations with suppliers they can be very helpful to the

Nuvera people. And so, we're working it on a comprehensive basis to get keep us moving in the direction that we outlined in the earnings release.

<Q – Joe Mondillo – Sidoti & Co. LLC>: Okay. It seems like relative to how you sort of phrase things in terms of guidance last quarter compared to this quarter, and maybe I'm reading into this too much. It seems like maybe you're more optimistic of hitting that breakeven target by the end of this year, just regarding the phrasing in the press releases if you compare the two. Is that correct? And, if so, what gives you more confidence? Or is that – am I just over-reading it?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: It's very difficult to say with clarity. What I would tell you is that the team at Nuvera is committed to trying to achieve those numbers, and they have a plan to do it, a lot of things have to come together.

But if you go back earlier two, three, four quarters ago, we didn't have the clarity to be able to define the plan with that kind of precision. So, yes, in that sense, we have a more defined plan but still a lot of things have to come together and everybody's working to try to make that happen. But certainly, we feel we've got a more defined pathway at this point. You want to add anything to that, Colin?

<A – Colin Wilson – Hyster-Yale Group, Inc.>: No. Just – I mean we're confident in terms of the outcome. Timing is – fourth quarter is not very far away as we – as we – we've made two commitments, one to be breakeven in the fourth quarter and the other to be breakeven in 2019.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: For 2020.

<A – Colin Wilson – Hyster-Yale Group, Inc.>: I'm sorry, 2020. So, are we confident in terms of the path that we're on? Yes, we are. Are we more confident than three-months ago? I think what we're more confident in is the people that we're working with in China who are testing our technology and testing our fuel cells are coming back and telling us we have a superior [indiscernible] (33:45). And all of the indications are that these are going to be very successful for us.

And we're talking to other people, not only in China, but in other parts of the world who are attracted to what we regard as the best fuel cell in the market. So, I think in terms of the reaction from customers, yes, we're more confident. I would say we're probably in the same position as we were three-months ago with respect to the fourth quarter, and probably feel more confident about 2020.

<Q – Joe Mondillo – Sidoti & Co. LLC>: Okay, just last question regarding Nuvera. Could you talk about the competition? I know sort of the BBR side of things as one competitor. Is that same competitor competing at the same level in terms of fuel cell engines and stacks? So when you say you have the best engine worldwide, or you think you do, is that the one and only competitor on that side or are you one of the only providers of that?

<A – Colin Wilson – Hyster-Yale Group, Inc.>: Well...

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: It's a very narrow group of players at this point. But there are others that are making efforts to come into the marketplace. We still we think we have the leading technology at this point. To answer your specific question about our competitor in the forklift truck business and the BBR business, to some degree, for a long time, they sourced some of their core components, including stacks from another company.

Now, that company is in the business of competing with us and others in China and other places in the fuel cell stack side of things. We think we have better technology than they do. But that's kind of the basic framework that I would give you. In the end, automotive applications are going to play an important role in this, whether it's in China or in America or Europe, there's a lot of interest on the part of automotive OEMs in fuel cells and it's a little different application, but some of the technology is broadly applicable, but we feel good about our competitive position.

I think we would say that we don't want to get too far out in front of ourselves at this stage of the game. We've got a lot of work to do with these two significant contracts in China and our BBR business in the U.S., plus some heavy duty experimental applications that are mainly in the U.S., demonstration applications is the better word, that are mainly in the U.S. that are going to lead to electrification and fuel cell applications for our heavy duty trucks for specialized work environments at least in the beginning. So, that's kind of the overview that I would give you. You want to add anything to that Colin?

<A – Colin Wilson – Hyster-Yale Group, Inc.>: No. You got to think about it, which area you're talking about when you're talking about competition. I mean, clearly, on the BBR side, it's Plug Power. They were the – it's like first to market in North America. They have a North American centric a little bit trying to get into China, that's what we believe.

On the engine side, fuel cell stack and engines, it's probably Ballard. I mean they're the biggest competitor. We do have other smaller competitors in the U.S. and a couple coming out of Europe.

But, again, we look at our technology and we spend a little bit of time looking at our competitors. But it's really the confidence we've got comes from what the people that we're partnering with tell us in terms of the power density that comes out of our unit, and it's not just a small amount better; it's a very, very significant amount better and that's a very powerful selling proposition.

<Q – Joe Mondillo – Sidoti & Co. LLC>: Okay. Last quick question from me just regarding cash flow. Your inventories were up 30% at the end of 2018. And I understand that probably a good part of that is related to the delays in shipments and just the productivity issues that you've had in 2018. But you're also ramping up this Nuvera project with the China project. I'm just curious of how you're thinking about working capital needs in terms of the use of cash for 2019? And then, also what you're thinking about CapEx for 2019?

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

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: Sure. Yeah, no I think you are....

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Let me just preface it by saying that there has been no question that the inventories are higher than we would like as we closed out 2018. We think it's extremely important to manage those very carefully. And we've got really a special effort focused on making sure that we have a system that is as resilient as possible in dealing with some of the shortages and their build-up of inventories.

As you can imagine, having one component short in a Big Truck means a lot of inventory is sitting there waiting for that final component. And, as we indicated, we think we can get that part of it cleared sometime during the first half or so. But then, we do expect to have more business in 2019, so there'll be some increases.

Ken, you want to take it from there?

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: Yeah. Al, I think you laid it out perfectly. I mean our issue is the inventory that we hold primarily related to the supplier constraints, we weren't able to churn that inventory into products sold.

Obviously, that's the miss on the top line sales line that we were forecasting, as well as you were. We performed well with payables. And, obviously, receivables were down because of the shorter shipments. We're watching it carefully, managing through the process. And we expect to provide the working capital needed to fulfill the backlog that we have, which is a strong backlog in terms of what percent of the year is covered. And as you pointed out, the average unit sales has grown to $27,000, in spite of the fact that now we include Maximal, which has quite a bit lower average sales value per truck at this time.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: And don't forget, we have had an acquisition that is increasing some of the absolute numbers. So we do tend to watch our days of inventory on hand. And even then, we're same with receivables and payables, so that we're looking at our total working capital on that kind of a basis; and it gets adjusted for the volumes, whether they're newly acquired volumes or not.

Certainly, as the business begins to fall and Nuvera begins to fall into a fully-commercialized mode, it will be building some inventory. I should go back to say that we have some isolated cases of forward purchases of engines that are related to the movement of the Tier 5 engine production and...

<A – Colin Wilson – Hyster-Yale Group, Inc.>: Brexit.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: And we have some extra inventory that's associated with unknowns about Brexit. So there are a number of one-time things in addition to just some of the supply chain things. I suppose they are one-time, too. We've got a pretty good record of managing our working capital efficiently and effectively, but I think it requires special effort when we have as many one-time things going on as we do.

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: Hey, Joe, your second question was CapEx and our forecast is $79.1 million for 2019. It's predominantly focused in product development, in IT systems and in the development of our manufacturing capability to produce those new products, as well as at the Forklift Company, as well as at Nuvera with the fuel cell engines.

<Q – Joe Mondillo – Sidoti & Co. LLC>: Okay, great.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Joe, it's a big period of – that we said in the press release, I believe, that we got a lot of expense and a lot of CapEx associated with these set of projects that Christy described as, you know, basically transformational in our views and in our objectives.

<Q – Joe Mondillo – Sidoti & Co. LLC>: Okay. Great. Thanks a lot. Good luck, and thanks for taking my questions.

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

<A – Colin Wilson – Hyster-Yale Group, Inc.>: Thank you.

Operator: [Operator Instructions] This concludes the Q&A portion of the call. I'll now turn things back over to Christina Kmetko for any closing remarks.

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

Thank you. That concludes our call for today unless Al or Colin, you have any further comments you wish to make.

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

No further comments.

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

Okay. Thank you, everybody for joining us. We appreciate your interest, and if you do have any follow-up questions please reach out to me. My number is available on our earnings release. Thanks so much and have a great day.

Operator: Thank you for participating in today's conference call. This call will be available for replay beginning at 4:00 PM Eastern Time today through 11:59 PM Eastern Time on March 6. The conference ID number for the replay is 593-8819. Again the conference ID number for the replay is 593-8819. The number to dial for the replay is 800-585-8367. This concludes today's conference call and you may now disconnect.