Hyster-Yale Materials Handling, Inc.	HY	Q2 2021 Earnings Call	Aug. 4, 2021
Company▲	*Ticker▲*	*Event Type▲*	*Date▲*

PARTICIPANTS

Corporate Participants

Christina Kmetko – Investor Relations & Media Contact, 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

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

MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. And welcome to the Hyster-Yale Q2 2021 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' remarks, 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 speaker today, Christina Kmetko. Please go ahead.

Christina Kmetko, Investor Relations & Media Contact, Hyster-Yale Materials Handling, Inc.

Thank you. Good morning, everyone, and thanks for joining us today. Welcome to our 2021 Second Quarter Earnings Call. I am Christina Kmetko and I'm 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 second quarter 2021 results and filed our 10-Q. This information is available on our website. Today's call is also being 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 our 2021 second quarter,are once again very mixed and not at all at the level we had thought we'd be reporting for this quarter. As we predicted last quarter, the lift truck market demand during the second quarter was strong and continued to grow, albeit at a more moderate pace than the previous two quarters. As a result of the market growth as well as share gain, bookings were extraordinarily strong and at record levels, which helped to generate a new record lift truck backlog level, exceeding the historically high level achieved in the first quarter. Given these factors, we have solid production plans in place and are fully slotted for the remainder of the year and into the early part of 2022.

On the other hand, during our last earnings call and even more so during our Investor Day in late May, we indicated that our expectations for the second quarter were dependent on our suppliers' ability to produce components and our ability to work through the logistics constraints needed to get those component parts to our factories on a timely basis. As most everyone is aware, the global supply chain and logistics constraints we saw in the first quarter did not moderate and they have in fact gotten worse for us in a way very similar to what many other companies are experiencing. This had a severe impact on our ability to ship in the second quarter, particularly higher priced backlog products.

As a result, our second quarter shipments were substantially lower than we expected, probably by something up to about 4,000 units, with the large portion – largest portion in our Americas division, where receiving components needed to build certain trucks on schedule was quite poor. These factors, coupled with consistently rising material and logistics costs, led to a substantial decrease in our second quarter margins and subsequently significantly reduced second quarter operating profit and net income to levels that were much lower than we were expected and lower than the 2021 first quarter. While these results were not what we had planned or expected, our team continues to work diligently to obtain the components we need on a timely basis and with an appropriate inventory on hand. Given our very high backlog and the visibility it provides, the opportunity for increased production as supply chain bottlenecks are resolved is high.

After Christy reviews the financial results for the quarter, Rajiv will provide more detail on these supply chain issues as well as provide an update on our business operations and strategic projects. Ken will then discuss our outlook in this dynamic environment. Christy?

Christina Kmetko, Investor Relations & Media Contact, Hyster-Yale Materials Handling, Inc.

Thank you, Al. I'll start with the quarter highlights and then discuss the individual segments, as in this quarter especially, each of our segments has a very different results story. As Al mentioned, we had record bookings of 46,900 units in the second quarter. Bookings were up 10.6% from the 2021 first quarter which had been a previous record by a large margin and they were significantly higher than the 14,300 units booked in the prior year second quarter, which was the period most heavily impacted by the pandemic. We ended the quarter with historically high backlog of 84,900 units. Our second quarter shipments increased 12.9% driven by our EMEA and JAPIC segments and our revenues increased 17% from the abnormally low second quarter 2020 unit shipments and revenues.However as Al mentioned, these shipments were much slower than expected, primarily as a result of supply chain disruptions.

Higher unit shipments and parts volume in the lift truck business and at Bolzoni from increased customer demand, along with favorable currency movements, were the primary drivers for the increase in 2021 second quarter consolidated revenues to $765.5 million from $654.4 million last year. Despite the higher revenues, our consolidated operating profit decreased to $5.9 million from $8.7 million in the prior year. This was a result of several significant factors, including material and freight cost inflation of $11 million, unfavorable manufacturing variances of $5 million, resulting from inefficiencies associated with component shortages and approximately $14 million of higher operating expenses due to the elimination of many of the cost containment actions taken in 2020.

While these are the main drivers of the decrease and are expected to continue to be headwinds throughout the remainder of the year, our operating profit also included the recognition of $6.3 million of income in the Americas from the favorable court ruling in Brazil regarding social contribution taxes previously imposed on material purchases. This income was more than offset by the absence of $8.3 million of government subsidies received in the EMEA and Bolzoni segments in the second quarter of 2020. As a result of all these factors, our consolidated net income decreased to $1.9 million or $0.11 per share from $3.6 million to $0.21 per share.

Turning to our segment results. In our lift truck business, second quarter operating profit decreased to $15.4 million from $17 million in the prior year quarter, mainly due to a significant decrease in the Americas operating profit, resulting from the specific factors I noted in the discussion of our consolidated results. This was partly offset by operating improvements largely due to higher gross profit on higher sales volumes in both the EMEA and JAPIC segments.

At Bolzoni, revenues for the second quarter increased 32.1% and the results improved moderately to an operating loss of $400,000 from a loss of $500,000 in the prior year second quarter. The improved results were primarily attributable to an increase in gross profit from higher sales volumes of higher margin products and lower manufacturing costs due to improved operating efficiencies that were partially offset by increased costs from material and freight cost inflation.

The gross profit increase was mostly offset by higher operating expenses from the reinstatement of pre-pandemic employee compensation, which included the impact of $3.6 million of government subsidies received in the prior year.

Finally, at Nuvera, revenue decreased to $300,000 in the second quarter from $700,000 in the prior year and the operating loss increased moderately to $9 million from $8.3 million in 2020. The higher operating loss is primarily attributable to the reinstatement of pre-pandemic salaries and benefits and the absence of a $600,000 gain on sale of assets recognized in the prior year.

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

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

Thank you, Christy. Let me start by saying that our global team has performed very well in this challenging environment. Our sales team has effectively executed our strategies by generating record bookings in this strong market. Many industries, including ours, are experiencing a significant increase in demand as market recovers and this is causing significant stress on the global supply chain, which has only intensified over the past quarter.

Our supply chain group has continued to work diligently to address the challenges related to supply constraints and logistic challenges that were our largest single issues this quarter. As Al mentioned, lift truck market activity continued to grow in the quarter, but at a slower rate than we had experienced in the past two quarters. The global lift truck market increased more than 70% over the second quarter of 2020, which was the quarter most heavily impacted by the pandemic. Compared to the first quarter, the global lift truck market increased 4.7%, primarily driven by an 11.9% increase in EMEA.

The market improvements over the first quarter, combined with the company's share gain program, 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 second quarter bookings and exceeded market growth. Despite bookings which far exceeded expectations, unit shipments were modestly higher than the 2021 first quarter due to component shortages, delays due to logistic issues and supply constraints. The increase in bookings and lower shipments have also led to another significant increase in backlog over the 2021 first quarter and to a historically high backlog level, which is extending delivery lead times substantially. We expect the lift truck market growth rate for the remainder of the year to decrease compared with the high levels in the first half of 2021 as market begin to return to pre-pandemic level.

As a result, we're anticipating a substantial decrease in bookings in the second quarter of 2021 – second half of 2021 compared with the first half of the year. Nevertheless, as a result of the strategic projects we continue to pursue at each of our businesses, we expect increased bookings in the second half of 2021 over the same prior-year period at levels higher than the expected year-over-year market rate, growth rate. These strategic projects gained traction in the first half of 2021, although definitive timeframe for achieving full potential share gain results are still uncertain due to both the timing of the full impact of the strategic projects and the continuing financial impact of the pandemic and subsequent pandemic-related supply chain and cost challenges.

Now, let me spend a few minutes discussing our strategic projects. Despite the potential volatility of near-term economic activity, we continue to execute our long-term strategy by advancing our key strategic initiatives. While essentially all the projects required to execute our initiative continue to move forward, in the context of COVID-19 pandemic and current logistics challenge, the pace of certain projects have been given greater emphasis than others. And certain accelerated projects have experienced delays as a result of the impact of pandemic, although the continued increase in bookings and our historically high backlog reinforce the long-term potential payoff from these programs.

We continue to introduce new products. But our primary focus in the lift truck business is on a new set of modular and scalable product families for both internal combustion engine and electric trucks. We launched the first of these new modular products, the standard version of the 2-to-3 ton internal combustion engine lift truck for the EMEA market, in mid-April. These new EMEA trucks have been very well received and the launch of this new range of 2-to-3 ton counterbalanced trucks to other markets is expected to continue throughout 2021 and into 2022. We expect the modular structure of these new products to enhance our ability to meet the customer needs at the lowest cost and in a way that is more specific to their application, both at the industry level and at the individual customer level.

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

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

Nuvera continues to focus on serving heavy-duty applications, particularly bus and truck applications with its 45-kilowatt and 60-kilowatt engines, which were both released for sale during 2020. As a result of the milestones, Nuvera has accelerated the 45-kilowatt and 60-kilowatt engine commercialization operations for the global market and is focusing on ramping up demonstration quotes and bookings for these products in 2021, with firm booking expected in the second half of the year. In addition, Nuvera has initiated development of a new 125-kilowatt engine.

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

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. While recent lift truck and Bolzoni market and booking activities have been strong and better than expected, the level of future bookings and importantly the timing of shipments from our backlog are still uncertain. Overall, Hyster-Yale continues to operate on the assumption that economic and market environment will remain difficult for at least the remainder of this year until COVID and its variants are mitigated through the broad acceptance of vaccines and subsequent herd immunity and supply chain issues related to post, high post-COVID demand levels are resolved. Early in 2020, to mitigate the impact of pandemic-related shutdowns, we initiated cost reduction measures. These measures included spending and travel restrictions, significant reductions in temporary personnel, furloughs, salary reductions and suspension of other benefits, including incentive compensation. Effective January 1, 2021, we reinstated pre-pandemic salaries, benefits and incentive compensation programs. The other cost containment actions are generally still in place and are expected to remain in place until market and economic uncertainty dissipates and our results improve.

As a result, operating expenses increased by approximately $14 million in the second quarter primarily from the restatement of salaries, benefits, incentive compensation to pre-pandemic levels. In the 2020 fourth quarter, we restructured some of our lift truck operations to reduce our long-term cost structure. We anticipate we will incur charges of approximately $800,000 over the remainder of 2021 for additional costs related to this restructuring. Estimated benefits from this program are expected to be approximately $9 million annually beginning in 2022.

Our lift truck business adjusted production levels at our manufacturing plants early in 2020 to align them more closely with the lower market demand and target booking levels and had been building those production levels back up moderately over the past 12 months. Given the strong bookings in the prior year fourth quarter and the first half of 2021, as well as backlog levels now at historical highs, higher build rates had first seemed reasonable, appeared reasonable for 2021. But as a result of continuing supply chain and logistic constraints, the Hyster-Yale Group and Bolzoni have not been able to achieve the production levels originally planned for the first half of the year. Our production challenges lie mainly with timely obtaining products from suppliers and not as a result of labor shortages unlike a number of companies that are struggling with both.

We are beginning to see some improvement in supply chains, but production levels are expected to experience continued disruption in the third quarter of 2021, with easing anticipated in the fourth quarter. However, we are hopeful that these challenges will abate sooner and production levels will be able to be increased above currently planned levels for the second half of the year. Significant material cost inflation and higher freight costs are also expected to continue into the second half of the year. And the non-renewal of US tariff exclusions is also expected to affect the cost of components during the remainder of the year. Both our lift truck and Bolzoni businesses have announced and implemented multiple price increases to moderate the effect of material cost inflation, which was a headwind to earnings in the first half of the year in the amount of $13.3 million. But many of the orders and backlog slotted for production in 2021 do not reflect the full impact of all of these price increases.

As a result, we expect to continue to experience margin pressure throughout the rest of 2021 due to the lag between when these price increases went into effect and when they are realized since customer orders and backlog are generally price-protected. We will continue to closely monitor with suppliers to increase component supply levels and production levels. We anticipate that commodity costs will remain elevated through the second half of the year. However the level of these cost increases, particularly for steel, remain volatile and sensitive to changes in the global economy and to levels of tariffs that could be higher or lower than currently forecasted.

We will continue to monitor potential future component supply and logistic cost and tariffs closely and adjust prices accordingly. As a result of these factors and the increase in costs associated with the reinstatement of pre-pandemic salaries and benefits as well as the loss of the COVID-related government subsidies, we expect substantially lower consolidating operating profit and net income in the second half of 2021 compared with the second half of 2020, primarily due to the Americas and EMEA lift truck businesses, with anticipated operating and net losses in the third quarter of 2021, partly as a result of Hyster-Yale's Group seasonal third quarter plant shutdowns. The anticipated decline in results is expected to be partly offset by significant increases in Bolzoni's operating profit and net income in the second half of the year compared with both the respective prior-year period and the first half of 2021.

Let me take a step back and explain that our expectations for the second half of 2021 are based on the most recent information we have available. But as past quarters and this quarter in particular have shown, the effects of the pandemic on the global economy and more specifically the lift truck market and related operating environment can change expectations rapidly. Further, Hyster-Yale's shutdowns or supplier shortages could occur as a result of the new Delta variant that has emerged globally. We are monitoring COVID hotspots, including closely monitoring a number of our suppliers based in areas where COVID cases are high. We are prepared to take further action if necessary to maintain the health and safety of our global workforce and to address production and supply issues which may develop. As a result, the uncertainty of the supply chain recovery timing and the ability of the supply base to timely deliver continues to limit our ability to forecast bookings and more significantly shipment levels beyond the third quarter of 2021.

Despite these challenges, we expect to increase our investment in working capital and other expenditures to support growth in our business. We anticipate capital expenditures will be approximately $50 million in the second half of 2021. While we expect to make these substantial additional investments in the business during the remainder of the year, maintaining liquidity also continues to be a priority.

At June 30, we had cash on hand of $87.5 million and debt of $345.7 million compared with cash on hand of $103 million and debt of $285.4 million at March 31. In May 2021, we replaced our prior $200 million term loan which had a remaining balance of $162.5 million with a new $225 million term loan debt. We contributed to the increase in debt outstanding at the end of the second quarter as a result of the issuance of the new term loan.

In addition, as of June 30, 2021, we had unused borrowing capacity of approximately $313.9 million under our existing revolving credit facilities, including our recently refinanced asset-backed revolver compared with $265 million at March 31, 2020. In conjunction with these debt refinances, we expensed $1.5 million of deferred financing fees which are included in other income expense in our earnings release.

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

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

All right. As we closed out the first half of 2021, we will be focusing on managing effectively the challenging and dynamic environment. We continue to execute our mid-term and our long-term strategies and remain focused on the safety of our employees. Our strategy for the longer term is clear and transformative. Our projects as well as the explicit objectives for the Hyster-Yale Group, for Bolzoni and for the Nuvera businesses support this long-term strategy. But as we've discussed, nearer term prospects are uncertain as a result of a number of abnormal, largely external influences, specifically; the direct impact of the pandemic on some markets, 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 a record lift truck backlog, a strong current booking environment and we are working diligently to manage the supply chain headwinds. We are continuing to invest in innovative products to meet increased customer demand.

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

We will now turn to any questions you may have.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] [Operator Instructions] We'll pause for just a moment to compile the Q&A roster. We have our first question coming from the line of Steve Ferazani with Sidoti & Company. Your line is open.

<Q – Steve Ferazani – Sidoti & Co. LLC>: [Technical Difficulty] (00:27:50) Just wanted to get a sense I know three months is a long time. I mean, the issues aren't unique to you. I'm just trying to get a sense from the last call, you were talking about how you would work through a lot of the supply chain issues through that quarter and were in a lot better position. So if you can sort of walk through exactly what happened over the next three months as best you can? Again, these aren't unique to you, but I'm just trying to get a better understanding of where you stand now versus three months ago.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Let me just lead off with [indiscernible] (00:28:21) and then I'd like to turn it over to Rajiv. But in response, I'd just say that we were hopeful that some of these headwinds were going to moderate. In fact what we've seen is that the upsurge in demand in the economy generally has been enormous. As you know, there's a lot of stimulus in the US economy right now and demand mix in the economy overall shifted to some degree and a lot of goods that are putting pressure on supply chains both domestically, supply chains and logistics domestically and internationally. In the shipping area, we're [indiscernible] (00:29:18) towards the season when many companies are bringing in the inventories that are necessary to sustain their businesses during the high selling season in November and December. So there's particular supply chain pressure and container costs for space on ocean freight have been going up quite rapidly. So the environment has continued to evolve and it hasn't evolved from a positive perspective in terms of logistics and costs. So the squeeze between supply and demand is causing overshoots in prices, a phenomenon that we've seen many times in the past. So, Rajiv, with that introduction, would you like to elaborate?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah. Sure. Thanks, Al. I think that's a good overview. Maybe I can maybe be a little bit more specific. So what we saw, Steve, in the first quarter, was over the quarter, the number of components and the number of suppliers improved. And we've seen that kind of stabilize in the same quarter. We expected that improvement to continue in the second quarter; but because of some of the reasons Al talked about, we kind of stabilized at those levels. Now they were better than the early part of the third quarter, but still as you can imagine, if one or two critical parts aren't there, we can't make the truck. Now we were then later in the second quarter hit by some of the Delta virus spreads, particularly in India and some of the other areas and as you know, we have a global supply chain. So I think that did make things a little bit worse towards the second half of the second quarter.

And the final element is there are logistics constraints, but also there is the timing of when your containers are going to come in is very volatile. And that leads to very short-term disruption in when parts actually get to our plants. And late cancelations are things that we can't adapt for easily. So, those were some of the elements. That's continued throughout the second quarter. They stayed with us in the third quarter, a little bit improved, but still it's a difficult and dynamic situation for our supply chain team.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: To give you a little flavor for that environment, I think Rajiv, you would agree, we have almost a small army of people who are daily tracking the arrival of components at our plants, readjusting the build schedules to build whatever trucks we have the components for and constantly readjusting things. It's not a good way to have to run manufacturing facilities. But that's the sort of environment we're operating in and we're being very proactive and doing a lot of expediting and facilitating, but it's some of the factors Rajiv outlined are just not things you can overcome entirely at all.

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Just to finalize, Steve, as we look forward, we are continuing to have detailed discussion with our supply base and as you can imagine, we need to ramp up our production rate because of our backlog and the associated lead times, but we're doing that in the context of what the supply chain can handle. And so, that portion is being managed very carefully. And the inefficiencies that's driven into the operations can be, you can see that in some of the manufacturing variance that we'd talked about [indiscernible] (00:33:47) in our commentary.

<Q – Steve Ferazani – Sidoti & Co. LLC>: Fair enough. So the issue is now with the enormous backlog you have, I know Ken touched on it a little bit, in terms of do you have any options to reset some of that., the pricing on that older backlog because if that holds true over the next three, four quarters, given where material prices are now, [indiscernible] (00:34:17) several quarters.

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

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah, sure. I'll take that. You're right. I mean – as Al, as we said that we are slotting into the latter part of 2021 and in fact in some cases in the early part of 2022, so certainly inflation is going to take – may have an impact on the second half results as we've noted, with their actions which I won't go into, we're trying to moderate. You can imagine what those could be. I mean, we're working with our supply chain, we're also working with our customers. The order profile is such that certain prices are locked in and certain prices are really dependent on when we deliver trucks. The majority is locked in. So, it is a difficult environment. We're working through it and we feel that as we get into 2022, we will see, with the price increases we've put in place, we should see margins revert back to normal levels. But we will have a few quarters to go through that are going to be – see some margin compression.

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: And Steve...

[indiscernible] (00:35:52)

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: Go ahead, Al. Sorry.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Yeah, let me add to that, that one of the great difficulties we have is forward forecasting of material cost increases and [indiscernible] (00:36:10) because at some point, we feel that supply and demand are going to come into a better equilibrium and that the prices could go down very significantly. Well, it's not an example from our industry, you're probably aware of what happened to timber prices in a very, very short period of time and that is, they went down by something like a third. So, we can't say with certain what the impact will be of the fixed price in our backlog without knowing what the costs turn out to be when we do produce those trucks. Our hope is that as we move forward, especially in 2022, some of these material cost increases are going to moderate. So that's in addition to the price increases in our new business which Rajiv particularly emphasized. Ken, you wanted to say something?

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: Thanks, Al. Yeah. I just wanted to remind, I did use the word multiple price increases and we have layers in our backlog of trucks that are booked at different levels and as we move through those earlier layers, we get to layers that have stronger pricing. To Al's point, on the look forward, our goal is to match our expected material price, cost at the time of delivery. And so we'll continue to move and look at how we can adjust prices to match to the cost as we expect them to be when we build the trucks. So that's an ongoing process and we don't have a perfect crystal ball, but that is clearly an input in our process to set the prices that we quote to our customers.

<Q – Steve Ferazani – Sidoti & Co. LLC>: And then just in terms of this stickiness in that backlog, have you seen any change?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: No. No, I think the backlog is pretty sticky. We don't expect a lot of dynamics in our backlog. And for various, including we have a long-term relationship with customers and this is generally what is happening in the marketplace. Lead times are [indiscernible] (00:38:35).

<Q – Steve Ferazani – Sidoti & Co. LLC>: Okay. Thank you all for your time.

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

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: Thank you, Steve.

Operator: The next question is coming from the line of Brett Kearney with Gabelli Funds. Your line is open.

<Q – Brett Kearney – G.research LLC>: Hi, guys. Thanks for taking my question.

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

<Q – Brett Kearney – G.research LLC>: Just wanted to ask on the opportunities you're seeing within your larger, Nuvera engine, that's in the development phase, 125 kilowatt engine and the applications, I guess opportunity set you see for that offering.

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

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah, Al, maybe I could take this one and you could...

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Yeah, would you take that one?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah, sure. So as you heard, we feel that the 45 and 60 kilowatt engines have the right powertrain for the kind of medium sized buses and trucks, especially in, as we've described before, a series hybrid powertrain. But the market is continuing to request bigger vehicles, including our own. Our [indiscernible] (00:39:54) and our top picks that we have in development and we've shared with the market on the architecture of that actually uses two 45-kilowatt engines. And so you can see what it really needs is somewhere around 100 kilowatt to 125 kilowatt engine as a baseline. So that's what's driving the development, so we would go from the medium-sized trucks and buses to the heavy and you think about in terms of truck classes. The medium size is good for more five and six, four, five and six class commercial trucks and then the bigger engine would be more suitable for seven and eight and then larger buses that are based on those platforms, those types of platforms. So that gives you...

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: There are a number of other sort of – Rajiv, you might just mention some of the specialty segments that we think they're particularly applicable in?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Sure. And you can imagine on the Class 7 type chassis, that's where you have things like cement mixers. You have waste handling machines and more severe duty trucks which are – there is more pressure for them to find a sustainable solution. So we think the bigger engines will be more suitable, also some other segments that we haven't discussed such as marine and locomotive.

<Q – Brett Kearney – G.research LLC>: Great. That's very helpful. Thanks so much.

Operator: [Operator Instructions]

Christina Kmetko, Investor Relations & Media Contact, Hyster-Yale Materials Handling, Inc.

It appears we don't have any more questions Celine. Is that correct?

Operator: Yes, ma'am. There are no further questions at this time.

Christina Kmetko, Investor Relations & Media Contact, Hyster-Yale Materials Handling, Inc.

Okay. Thank you. Al or Rajiv, did you have any final remarks you wanted to make?

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

No. Thank you.

Christina Kmetko, Investor Relations & Media Contact, Hyster-Yale Materials Handling, Inc.

Okay.

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

No, from me.

Christina Kmetko, Investor Relations & Media Contact, Hyster-Yale Materials Handling, Inc.

Okay. Thank you. Thank you all for joining us today and we do appreciate your interest. And if you do have any follow-up questions, please give me a call. My information is available on the earnings release. Thanks and have a wonderful day.

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

Bye-bye.

Operator: This concludes today's conference call. Thank you for your participation. As a reminder, a replay will be made available three hours after the call until August 11, 2021 23:59 Eastern Time. You may listen by dialing 800-585-8367 or 855-859-2056 followed by the conference ID number 6061423. Thank you. You may now disconnect.