PARTICIPANTS

Corporate Participants

Christina Kmetko – Investor Relations Consultant, Hyster-Yale Materials Handling, Inc.
Rajiv K. Prasad – President, Hyster-Yale Materials Handling, Inc.
Scott A. Minder – Senior Vice President, Chief Financial Officer and Treasurer, Hyster-Yale Materials Handling, Inc.
Alfred M. Rankin – Chairman & Chief Executive Officer, Hyster-Yale Materials Handling, Inc.
Kenneth C. Schilling – Senior Vice President – Special Financial Advisor to the Chairman, Hyster-Yale Materials Handling, Inc.

Other Participants

Chip Moore – Analyst, EF Hutton Group
Steve Ferazani – Analyst, Sidoti & Co. LLC
Brett Kearney – Analyst, Gabelli Funds LLC
William T. Nicklin – Analyst, Circle N Advisors

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to today's Hyster-Yale Q3 2022 Earnings Conference Call. My name is Drew, and I'll be coordinating your call today. [Operator Instructions]

I'm now going to hand over to Christina Kmetko to begin. 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 2022 third quarter earnings call. I'm Christina Kmetko and I am responsible for Investor Relations at Hyster-Yale.

Yesterday evening, we published our 2022 third quarter 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 several 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.

Speaking on the call today are Al Rankin, Chairman and Chief Executive Officer; Rajiv Prasad, President; and Scott Minder, our new Senior Vice President, Chief Financial Officer and Treasurer. In addition, Ken Schilling, our former CFO, now the Special Financial Advisor to the Chairman is also on the call.

As many of you already know, Ken announced in mid-August that he would be retiring at the end of 2022. He has been working closely with Scott to ensure a seamless transition of the CFO role and we appreciate him joining us to participate in the Q&A session of his final earnings call with the company.

With formalities out of the way, I'll turn the call over to Rajiv.

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

Thanks, Christy, and good morning, everyone. You might notice that we've changed the speaker line up this quarter. I'll start by giving you the operational perspective and would also provide some color commentary on our markets. As you'll hear, we've made progress and we expect this positive trend to continue in the fourth quarter. Scott will provide you with the detailed financial results and Al will close the call with strategic perspective and take us into Q&A.

While Scott will give you the financial pluses and minuses, it's worth noting that our third quarter results were ahead of last year and despite significant currency headwinds. Additionally, these results exceeded our expectations largely due to ongoing cost discipline and effective pricing that led to improved adjusted standard margins. Those efforts helped to reduce the effect of inflation and supply chain shortages that have constrained our production along with others in the industry.

I'll start by providing an update on our production rate and where we stand with ongoing supply chain challenges. First, the positive news, we are seeing component shortages moderate and we're experiencing fewer supply chain constraints than in the previous quarters. However, certain critical components such as [ph] microprocessors, hoses, well and stampings (00:03:32) are still difficult to source and our global supply chain remains constrained, particularly those supporting materials from China.

As a result, while third quarter 2022 shipments grew over the prior year, component availability prevented us from achieving our planned capacity utilization levels in the USA and in Europe. We're working diligently to increase our production rates quickly as the supply issues around critical components are resolved. Looking ahead, we expect our fourth quarter production and shipment volumes to increase over third quarter levels. Building on that momentum, we anticipate full year 2023 production and shipment volumes to increase over 2022 levels, these improvements are largely due to the continued easing of component shortages and resolution of global supply chain bottlenecks.

In the third quarter, we continue to experience elevated cost pressures. This was most acute in EMEA, in part due to higher energy costs caused by the ongoing Russia-Ukraine conflict. In contrast, the rate of cost increases in the Americas and in JAPIC have flowed significantly. Forward economic indicators suggest more moderate 2023 cost inflation trend absent any additional effects from geopolitical events or global supply chain constraints.

As we've shared in the past quarters, we've implemented multiple price increases to combat inflationary pressures over the past 18 months. We're gaining ground and we expect price increases to fully offset cost inflation in 2022. Looking ahead, we anticipate this favorable price to cost ratio to continue benefiting unit margins across 2023 and into 2024 as the current backlog expense for several more quarters.

Now, let me share my view on global markets. Demand for lift trucks remains strong, but appears to be moderating. Our internal estimates indicate a worldwide market decline in 2022 third quarter versus both the prior year and the second quarter. Looking ahead, we expect the lift truck market to decrease in the fourth quarter of 2022 and for the full year 2023 compared with their respective prior year period. Despite these declines, markets should remain above pre-pandemic levels, even as the possibility of a global or regional recession rises.

The market decline, combined with our focus on orders with strong margin, resulted in a significant decrease in Lift Truck bookings in the third quarter from robust prior year level. Bookings also declined versus 2022 second quarter, we expect lower booking trend to continue in the fourth quarter and for the full year 2023 compared to their [ph] respective (00:06:37) prior year period as a result of slowing economic activity worldwide. As bookings have declined, our backlog levels have reduced modestly over the past two quarters. However, our current lead times remain extended. Incoming orders selectivity has resulted in higher average unit prices and margins for both our bookings and our backlog.

In fact, the average sales price of a booking unit increased by – in fact, the average price of a backlog unit increased by nearly 40% year-over-year and by over 8% sequentially, backlog price improvement support future unit margin expansion. As we continue to work through our backlog in the fourth quarter and into 2023, these lower margin units priced in prior years should represent a decreasing portion of our overall production. As a result, average unit margins are expected to improve as we evolve further into our extended backlog. It's worth noting the likelihood of global recession increases our current backlog of high margin trucks extends through 2023 and into 2024. This backlog would act as a shock absorber against any recession related market downturns helping to sustain our business.

I'll summarize my comments by saying we remain laser focused on mitigating the impacts from supply shortages and other supply chain issues. Our teams continue to work closely with suppliers to obtain the parts needed for production at the time that they are needed. As we increase production and shipment levels, we believe that high unit prices and margins within our backlog should support significant operating profit improvement. Ongoing discipline around booking units with higher margin will support this trend over the longer term. Combined, the mix of anticipated higher shipment levels and the lower booking rates are expected to further reduce our backlog, ultimately bringing lead times back to more normal levels, it's worth repeating, however that substantial backlog with higher unit margin would act as a buffer in [ph] recessionary (00:09:01) environment, helping to maintain company profitability levels.

Now I'll turn the call over to Scott to update you on our financial results and provide our financial outlook.

Scott A. Minder, Senior Vice President, Chief Financial Officer and Treasurer, Hyster-Yale Materials Handling, Inc.

Thanks, Rajiv. I'll start with some high level comments about our consolidated financial results and then add perspective on the individual businesses. In the third quarter, our consolidated revenues of $840 million increased by 12% or more than $90 million versus the prior year. This growth was due to a 13% revenue increase in the Lift Truck business which more than doubled to 6% shipment growth rate over the same time period. Revenue growth outpaced shipment growth due to higher pricing and increased parts volumes. This was despite $30 million of unfavorable currency headwinds. On an absolute basis, our shipments decreased modestly from second quarter levels. Combined with the lower third quarter bookings, our backlog decreased by 3% sequentially, ending the third quarter at 108,200 units. The company reported a consolidated operating loss of $24.9 million for the third quarter, compared with an operating loss of $54.3 million in the third quarter of 2021. The operating loss for 2021 included $24.8 million of non-cash charges taken at Nuvera.

On a net basis, we reported a consolidated loss of $37 million for the third quarter, compared with a net loss of $77 million in the prior year. In addition to the Nuvera charges last year, the net loss in 2021 included a $38 million charge to establish valuation allowances on deferred tax assets. Now let's look at the results by business. First, the Lift Truck business generated an operating loss of $15.3 million in the third quarter, compared with an operating loss of $21.3 million in the prior year.

This 29% improvement exceeded our expectations and was driven by price increases of $82 million which more than offset our total material and freight inflation. Higher unit and parts volumes also helped drive this favorable comparison. Third quarter operating results improved year-over-year despite the $16 million increase in manufacturing costs, caused by inefficiencies related to component shortages and $11 million of unfavorable currency impact. As Rajiv mentioned, while we continue to make progress on the lower margin products in our backlog, these units created a temporary drag on our third quarter margins.

Turning to Bolzoni, where we reported a 2022 third quarter operating loss of $1.3 million versus breakeven results in 2021. Price increase benefits and a favorable sales shift toward higher priced, higher margin products were more than offset by lower sales volume, reduced customer demand, particularly for legacy components used by our Lift Truck business was the primary driver of lower volumes. Higher manufacturing cost due to supply chain inefficiencies and unfavorable currency movements of $1.4 million also contributed to the decline in Bolzoni's results.

Nuvera third quarter 2022 operating loss of $9 million decreased compared to a loss of $32.5 million in the prior year. Excluding the prior year charges that I called out earlier, the operating loss increased mainly due to a non-recurring warranty benefit in the prior year period. Additionally, product development costs to support Nuvera's current 45 and 60 kilowatt engines as well as their future 125 kilowatt engine increased in 2022, as did expenses to expand their sales pipeline through engine demonstration projects.

Looking ahead, we expect a return to overall profitability in the fourth quarter and to further build on that progress in 2023. These improvements are supported by what you just heard from Rajiv. Increased manufacturing efficiencies as component shortages moderate leading to increased production rates and shipments, lower inflation rates and the ongoing benefits from our cost savings and pricing programs which should continue to provide a favorable price to cost ratio. Our strategic program, which Al will discuss in a moment, should also enhance margins as they continue to mature. As a result of these improvements, the Lift Truck business expects to generate a substantial operating profit in 2023.

Moving to Bolzoni, we anticipate a return to profitability in the fourth quarter due to projected sales volume increases versus the third quarter. This production gain is due to moderating component shortages and improved manufacturing efficiency. We expect ongoing benefits from increased pricing and strict cost control as well as benefits from lower material cost inflation. As a result, Bolzoni should generate increased margins over time and higher operating profit in 2023 as compared to 2022.

Finally, as Nuvera focuses on ramping up product demonstrations and bookings, we expect a moderately lower loss in the fourth quarter of 2022 compared to prior year. We anticipate a 2023 operating loss in line with 2022's results, as modest sales growth is offset by higher costs.

It's worth noting that the assumptions underpinning our outlook, particularly production rates are highly sensitive to events that could impact global supply chain. Our actions are focused on the things that are within our control. We'll provide you with updates as the fourth quarter in 2023 unfold.

Moving to the balance sheet, we generated cash and reduced our net debt by nearly $30 million in the third quarter 2022 compared to the second quarter. This improvement was driven by a 9% reduction in working capital, largely from decreases in accounts receivable and inventories as part of our ongoing efforts to improve working capital efficiency. As of September 30, 2022, the company had cash on hand of $69 million and total debt of $545 million. This compared to cash on hand of $76 million and total debt of $581 million at the end of the second quarter. Debt outstanding decreased by 6% due to lower borrowings on the company's revolving credit facility.

Cash flow before financing was $7 million for the nine months ended September 30, 2022. And this compared to a significant use of cash in the same prior year period. We ended the third quarter with $191 million of available borrowing capacity compared to $156 million at the end of the second quarter.

Now, I'll turn the call over to Al to give his strategic perspective. Al?

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

As you just heard from Rajiv and Scott, we're making progress both operationally and financially. Our third quarter results reflected the improving quality of our backlog, and we continue to have solid bookings and a robust backlog. Looking forward on a consolidated basis, we continue to project a modest operating profit and income before tax in the fourth quarter of 2022. However, we expect a modest tax loss due to tax expense on profits in areas where a valuation allowance is not provided.

In future periods, we believe that we'll be able to recognize tax benefits that are currently offset by valuation allowances. Global taxation challenges aside, our ongoing efforts to work through the improving but lower priced, lower margin backlog layers in the fourth quarter and early 2023 are expected to lead to improving margins and a return to solid operating profit and net income for the full year 2023. While we continue to work through this transitional period in our backlog, we're laser focused on improving our cash flows and maintaining adequate liquidity.

To achieve our objectives, we've tightly managed capital expenditures, operating expenses and production plans. Working capital continues to be an area of intense focus as inventory levels remain elevated due to production delays created by parts shortages. We're working diligently to build trucks that reduce on hand inventory, while limiting new purchases to those materials that are in short supply. As a result of these cash conserving actions, the company expects solid cash flow before financing activities for the full-year of 2022 compared with the significant use of cash in 2021. We expect our disciplined approach to capital allocation to continue, including timing delays in some strategic investments. We remain focused on executing our core strategy over time and we will continue to invest for long-term profitable growth.

Our strategic initiatives remain consistent and I'd like to provide a few key updates for each business. The Lift Truck businesses primary strategic focus continues to be on introducing its new modular and scalable products as well as projects geared toward electrification of all types of trucks and transforming our sales approach by using an industry focused approach to meeting our customer needs. The Lift Truck business continues to make progress on these high priority projects. The modular, scalable products are currently being introduced into the Americas market following their introduction into Europe.

In addition, early in October we announced that the first hydrogen fuel cell powered container handler using Nuvera fuel cell engines began its pilot phase in the port of Los Angeles. The Lift Truck business and Nuvera are also working jointly with Hamburger Hafen and Logistik AG to provide two Hyster® electric container handling vehicles, including the first-ever empty container handler powered by fuel cell technology and the first Hyster terminal tractor supply in Europe. Both units will be powered by Nuvera fuel cells.

Looking beyond the Lift Truck business, Bolzoni continues to work on streamlining and strengthening their operations. They're focused on increasing their Americas business and expanding their broad global industry sales, marketing and product support capabilities. Nuvera continues to focus on ramping up demonstrations and increasing bookings for its 45 and 60kW engines. They're also working to develop a heavy-duty 125kW engine capable of operating in more power demanding applications. Over the first nine months of 2022 Nuvera has announced several projects with various third-parties who are testing or planning to test Nuvera engines in heavy duty applications.

In summary, we're focused on managing effectively in this volatile and complex environment. We're controlling the things that we can, such as our cost structures and our prices and we're minimizing the negative effects of the items that we can. We have innovative products and deep customer relationships that provide a strong foundation for our business. Overall, we're encouraged by our progress to-date, but recognize we have more work ahead to get to our target margin goals. Today, temporary challenges such as component shortages are limiting our financial results. However, we believe we've got the right business structure with the core strategies in place to achieve our long-term financial goal.

Before closing, I'd like to take a moment to discuss our CFO succession. As Christy mentioned Ken Schilling will be retiring at the end of this year and today is his last earnings call. I'd like to thank him for his many contributions, devoted service and really terrific leadership over his 31-year tenure with both Hyster-Yale and our predecessor parent company NACCO Industries. Ken will be missed and we wish him well in retirement. We're fortunate to identify a great new CFO in Scott Minder. He has over two decades of experience in senior financial positions across several manufacturing industries, I look forward to working with Scott to move Hyster-Yale forward in a balanced and disciplined manner.

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

QUESTION AND ANSWER SECTION

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

<Q – Chip Moore – EF Hutton Group>: Good morning. Thanks very much for taking the question. Just first, I'd reiterate, Ken congratulations, it's been great to work with you and welcome Scott to this call. So, I wanted to ask about, it feels like there's light at the end of the tunnel, right on supply chain obviously still challenges, but more curious if you can expand on your commentary about backlog really potentially serving, I can call it a shock absorber in any downturn, this kind of feels like a unique environment or a unique position, maybe if you look back to the prior cycles, how those have fared and what's unique about your current position?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Well, let me comment and then others can add on. I think the starting point is to recognize that, the bad side of all of this [ph] is then at the (00:23:43) component shortages have led to a much larger backlog than we ever would have liked. And frankly un-competitiveness in terms of serving our customers in the timeframe that we would like to between the booking of an order and the delivery of a shipment.

So now as economic times are weakening that extended backlog is in our view, something that will work in our favor in quite a significant way. We have some a considerable number of our production lines that are fully booked through not only the end of this year, but all the way through 2023 and into the early parts of 2024, that's not true for absolutely all. We have a few lines that have much shorter cycles than that. But in the main, the high value items are all in these extended backlog areas. On the one hand, it makes us less competitive in the marketplace and you've seen our focus on ensuring that the orders that we do take in this – in the context of this long – these long lead times and high backlogs is at margins that we think are favorable.

And of course, we're putting a substantial number of booked trucks into the backlog every month and we're not producing a huge amount more than we're putting into the backlog. So, even if the markets fall off relatively quickly, as they sometimes do in the forklift truck business, unusually temporarily as well, it's a fairly short cycle, a steep downturn. We should be well-positioned to keep on adding to our backlog in a very profitable way and still have plenty of production all the way through 2023 and into 2024. So, I guess the bottom line is that a very difficult situation over the last year, we hope is turning into protective advantage and also confidence in the security of our forecast, as we look forward, you want to add anything?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: No, I think..

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: ... I think that's our answer collectively.

<Q – Chip Moore – EF Hutton Group>: Yeah. No that's perfect Al. And I guess just fair to say that you've never experienced anything like that in your history, just like the past few years I would say.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: I think, Ken. I give him a chance to give his parting comment here, you never experienced anything in 31 years like that right?

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: No, never anything like this. It really does provide us with a unique opportunity if we end up in a recession, so.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Normally we might have what Ken, might have had five months...

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: Four months, typically.

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

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: Typically four months 25,000 and about 30,000.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: And some lines might have been five and longer lead time.

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: Yeah. I mean our big trucks are typically five months, but we're trying to get our – ideal lead time for our most trucks is 12 to 16 weeks.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: So the answer is, you're quite accurate, but this has not happened before.

<Q – Chip Moore – EF Hutton Group>: Got it. Yeah [indiscernible] (00:27:16) what you've been through.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Yeah, we're ready for that.

<Q – Chip Moore – EF Hutton Group>: Yeah right, you guys deserve it. My follow-up is around your comments around electrification of [indiscernible] (00:27:30) trucks, obviously important for fuel cell as well in hybrid applications. So, just if you could expand on what you're seeing there and then also just Nuvera specifically at the Port of LA and...

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Well, it's an intense focus and I'd ask Rajiv to comment on all that.

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah. I think our electrification plan, which we laid out a few years ago, because we saw this trend coming that was part of why we acquired Nuvera is now starting to really trend as we expected, probably delayed by a few years, but we see a huge amount of interest from our customers on wanting a zero emissions solution for in a product that typically had internal combustion engine trucks. It's particularly strong right now for our biggest trucks that serve the port equipment and some heavy industry.

But we're increasingly seeing the same interest in our medium size trucks. As we've just said, we've – we're now – we have our initial products out in the marketplace going through an evaluation phase with some key port customers, both in North America and we will have in Europe. And then we're delivering medium size electric trucks running on lithium ion batteries through customers currently. So those are now starting to trend and especially with some of the energy challenges we're seeing in Europe, we're seeing intensification on efforts both by governments as well as users and other OEMs to find solutions for that market, which Nuvera is getting more and more involved in.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: I think to Rajiv that the refreshment of some of our products, including the modular scalable electric trucks, while not exactly qualifying as electrification does reflect an enhanced commitment and those products will be coming out in relatively near years in the future, you want to say any more about that.

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Sure. So, we have launched the internal combustion engine variants of those products in Europe and we're just about to start shipping the trucks in North America. But they will also have electrified versions of those trucks, which have traditionally been internal combustion engine trucks. Aside from, we will be introducing the same strategy on our electric trucks which exist today, but there will be electric versions of the ICE trucks in the future.

<Q – Chip Moore – EF Hutton Group>: Interesting. Okay. So sounds like maybe a lot of talk about the next Investor Day, perhaps some of this stuff.

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Absolutely. That's going to be a big theme.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Absolutely. I mean, I think if we can begin to convey the. I guess a combination of quality and really almost – I think our word has been transformative impact of these new modular scalable products. We really got to focus on communicating that effectively at our Investor Day, because it's very, very important to the future of the company. We made an enormous investment in that and it's worth focusing on and noting here and I'm sure that Rajiv and others will elaborate on it at Investor Day.

But a great deal of the pain of developing these new modular, scalable products occurred in the context of the heart of the line 1 to 3.5 ton internal combustion engine trucks. And now as you move toward as Rajiv indicated, using many of those components and the structures of those trucks with the electric components, the task becomes significantly easier and the number of new components in these new trucks goes down radically as we're reducing the number of components, types of our individual product numbers in our system in a quite a radical way.

<Q – Chip Moore – EF Hutton Group>: Yeah for sure very interesting ramifications. But [ph] sneak in a last one, I got to sneak one (00:32:17) for Ken. In your background just on the tax situation in Q4 and the pre-tax income, moving to a loss just to just help us there? Thanks, everybody.

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: Yeah. No, I think as we work through periods, we have obviously jurisdictions we're making money in, those taxes are dropping to the bottom line and become the provision and there's jurisdictions where we're losing money and where we have the requirement to book a tax reserve called the valuation allowance. And of course that benefit is still there, it's still going to be available on a carry forward basis in the periods when those tax jurisdictions – our businesses in those tax jurisdictions return to profitability, so it's just a matter of timing and how the books recognize it.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: And let me say in addition and Ken check me if I get any of this wrong, that the segment reporting doesn't really do a good job of revealing the legal reporting which governs the tax provisions that we have. And so, it's a difficult and complicated area with a lot of tax – lot of expenses associated with the US in effect. And therefore, we have to generate substantial profit in the US, in order to take the benefit of those tax reserves. And I would just add that you don't have to look in much detail at our financial reports to understand the biggest driver, by a significant margin of profitability for our company has always been the Americas. And that's where we'll get a big impact and have – and for a period of time we hope and expect outsized after tax income in due course since we start to use that. Did I misstate anything, Ken?

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: No. And I think, Al, you just stated exactly the case why from a segment perspective [indiscernible] (00:34:40) that operating profit. The confusion and complexity of dividing up taxes between the segments really misleads the reader. And I think that's what we need to follow. In the Lift Truck segment in particular, we have geographic locations that are very profitable and others that we're working through those low priced trucks. And as we work through the low priced trucks and get to the trucks with higher prices and higher margins, we'll restore the profitability in those jurisdictions we sell from.

<Q – Chip Moore – EF Hutton Group>: Got it. Thanks again.

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

Operator: Our next question today comes from Steve Ferazani from Sidoti & Company, LLC. Your line is now open.

<Q – Steve Ferazani – Sidoti & Co. LLC>: Good morning, everyone. Appreciate all the color on the call. Sorry if I repeat something, I missed a little, with some phone difficulties. What I think about cash on the balance sheet, obviously you're carrying significant inventories, you'd like to see them draw down, particularly if sales pick up. But in the near-term, given demand as it is, would you expect to end up having to utilize some more capacity of the revolver?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Well, let me start this with a couple of comments. I think more demand really isn't quite the right way to think about it. As we said earlier, we're working through our backlog. The market demand is really going to affect our production way in the future. So what we are doing in effect is using up inventory that came in when we didn't have a full understanding of the magnitude of the component shortages that we're going to reduce our production levels. We've now reduced our production levels to levels that we think the suppliers can sustain. And so what we're doing is using up the backlog that is on the balance sheet – using up the inventory that is on the balance sheet and making sure that we don't have any more inventory coming in than those few parts that we need in order to build the trucks that we have.

So, the whole dynamics of cash generation are really contained in that little construct that I just gave you. Now some other things happened as well, of course as we begin to work through the – bring our inventories level that – levels down and order in a more normal basis will have more payables offsets that actually, in effect, adds to our cash position, because we've already paid for parts that we have on our balance sheet today. So those are the things that I would focus on in answer to your question.

<Q – Steve Ferazani – Sidoti & Co. LLC>: Okay. That's fair. When I think about the backlog, which has appeared to remain extremely sticky, how are you thinking about it from a geographic perspective knowing that Europe clearly is going into a slowdown a lot sooner?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah. So backlog in both locations on a percentage basis is higher in North America than in Europe. But Europe has quite extended backlogs. In fact, they are now new orders are being slotted in kind of well into the second half of 2023, for the primary lines, the big truck line and our kind of balanced production line. So, we feel good about the backlog in most – in both of those geographies and we feel fine with the backlog we have in Europe to get us through a downturn that we're already seeing in Europe.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: And remember too, is that especially in the case of these new modular scalable products that we started producing earlier in Europe than in the US, it as we ramp-up production, those are global products...

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

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: And we can ship them around the world to wherever they're needed. So, which can keep the European business operating potentially at a higher level in terms of performance than the actual market in Europe might drive. However, the overriding factor is the backlog structure that Rajiv outlined.

<Q – Steve Ferazani – Sidoti & Co. LLC>: Okay. Great. Thank you. When I think about. Obviously, we see some seasonality this quarter, but I'm just thinking about given the massive almost a year backlog or so, I would assume though from my modeling perspective and I know you don't guide that far out. But I would expect to see a lot less seasonality just in trying to get the timing of deliveries or is that really on the customer side?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: So the timing issue of seasonality is much more driven by vacation schedules in our manufacturing plants and therefore lack of absorption during the mid-summer period, what

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

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: ...Rajiv, July or August, depending on the plant. I don't know remember.

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah. In North America, it's late June, early July. And in Europe, it's July and August. So during those periods, our plants typically shut down for a two-week period. We still plan to do that in 2023. So we'll see that seasonality [ph] still see (00:41:00)

<Q – Steve Ferazani – Sidoti & Co. LLC>: Okay. Then how should I think about sort of the Thanksgiving to December holidays type scheduling?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Again, we have a break over the Christmas holidays. So, Thanksgiving is typically a two-day stop.

<Q – Steve Ferazani – Sidoti & Co. LLC>: Okay. Okay. Great.

[indiscernible] (00:41:23)

<Q – Steve Ferazani – Sidoti & Co. LLC>: Thanks so much for the color, folks.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: ... fourth quarter is definitely a strong quarter, but December internally is always weaker because of the Christmas, New Year's holiday.

<Q – Steve Ferazani – Sidoti & Co. LLC>: Right.

<Q – Steve Ferazani – Sidoti & Co. LLC>: I think that would be the right way to put it.

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

<Q – Steve Ferazani – Sidoti & Co. LLC>: Fair enough. Thank you.

Operator: Our next question comes from Brett Kearney from Gabelli and Company. Please go ahead.

<Q – Brett Kearney – Gabelli Funds LLC>: 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 – Gabelli Funds LLC>: Provide a lot of great color on the benefits that the modular and scalable programs unlocking for Hyster-Yale. Curious as it's been in place in Europe and now rolling out into the Americas also what you're hearing in terms of customer response and the benefits you're hearing on that end.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: Let me – Rajiv already has a smile on his face, you can't see it. But let me ask him to answer your question.

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah, that's – firstly, I've spent a lot of time driving this truck myself and there are quite a big improvement over our current product, which was already very good. So – and that's the feedback we're getting from customers that they appreciate the ergonomics, the visibility on the new truck, the controllability of the truck, the productivity that can get out of it, the – it definitely has a very positive impact on the fatigue factor that's been over a shift, which then leads to issues late in shift. So, we're seeing all those improvements. But that's one thing us seeing it. Recently we were recognized in Europe and the UK with The Archies Award for the ergonomics of the truck. So it's nice to get that recognition externally as well.

<Q – Brett Kearney – Gabelli Funds LLC>: And uptime and reliability and quality?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: Yeah. I mean, it's still early days, but we're seeing very positive trends in – for a new product introduction that has a lot of new content. We're seeing quality levels, which are very consistent with our very mature and very high quality products that we ship today. So, that's been a pleasant surprise, because we were expecting a bit of a blip as we launch the new product.

<Q – Brett Kearney – Gabelli Funds LLC>: Terrific. And then just one quick clarification item. Great to see progress on working capital and the reduction in debt in the quarter. The short-term debt of $141 million at September end, that's primarily the foreign lines of credit, any specific maturity dates or conditions around that portion of the balance sheet?

<A – Rajiv Prasad – Hyster-Yale Materials Handling, Inc.>: No, these are long-term revolvers. Yeah.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: The short-term portion, you're talking about the line on the short-term portion of debt?

<Q – Brett Kearney – Gabelli Funds LLC>: Right.

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: Those are mostly one year arrangements that roll over. And we haven't had any issues with rolling over our debts and mostly offshore as you noted. Our two primary domestic facilities, our revolver is going to be shown in current when it's going to be paid down in the next 12 months and when it's going to be held for more than 12 months and it's shown in long-term. And I think you see it on the balance sheet in a single line. When you look at the Term Loan B, that's predominantly going to be long-term.

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: And you're talking about the consolidated numbers. So, Ken, do you want to bring Bolzoni into this and how that affects in.

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: And Bolzoni would have some of the debt in that other current line as well, where they are able to access the European markets and they've done a nice job of securing. And recently rolling into more longer term arrangements from shorter-term arrangements on their own.

<Q – Brett Kearney – Gabelli Funds LLC>: Terrific. Very helpful. Thank you, guys.

Operator: Our next question comes from William Nicklin from Circle N Advisors. Please go ahead.

<Q – William Nicklin – Circle N Advisors>: Good morning and thanks for taking my question. My question revolves specifically around Nuvera and from what I can see, major fuel cell manufacturers are putting strong emphasis now on electrolyzers and it appears that the electrolyzer, which is the supply side of the green hydrogen equation will experience more rapid growth than the fuel cell side, which is the demand side of the hydrogen equation I saw – what sparked my question as I saw an IAEA projection that there would be 85 times growth, 85X in the size of the market for electrolyzers within eight years. Now we know that the [ph] hydrolyzed (00:46:44) technology is very similar to the fuel cell technology. So my question is, does Nuvera have any aspirations of being involved in the electrolyzer business?

<A – Al Rankin – Hyster-Yale Materials Handling, Inc.>: No, our current strategy is all around building the power unit that uses the hydrogen the other side of it, we do expect the electrolyzer to become a key part of the hydrogen supply chain and we're working with hydrogen providers who will use that technology. That's not the focus of Nuvera. Nuvera is very much focused on developing engines that can be used in power unit, both for mobile equipment, but also now increasingly looking at stationary and kind of recharging type systems that can...

<A – Ken Schilling – Hyster-Yale Materials Handling, Inc.>: We think in the broadest sense that this is a time to have Nuvera fuel cell technology focused on very specific applications where fuel cells are really required to do the job because battery electric will not provide the power capability to do it and we're focused on segments where that is true on the one hand, but it's reinforced by the fact that we think that these particular segments have the biggest opportunity for significant growth as we go to the future. So from our vantage point, it's focus and get the job done in the areas that have the greatest likelihood of significant commercialization the soonest and where the demand will be driven by the nature of the application and that's the strategy we're going to stick with.

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

<Q – William Nicklin – Circle N Advisors>: Thank you. That seems like the low risk stick to your knitting strategy and that's a good one. Thank you very much.

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

Operator: That concludes today's Q&A session. I will now hand you back over to Christina Kmetko for closing remarks,.

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

Thank you. We'll close with just a few final reminders. A replay of our call will be available later this morning. We will – we'll also post a transcript on our Investor Relations website when it becomes available. If you do have any questions, please reach out to me. My phone number is on the earnings release and I hope you all enjoy the rest of your day. I'll turn it back to Drew to conclude the call.

Operator: Thank you. The recording will be available until Wednesday, November 9, and the phone number to call that on is +44-204-525-0658 and the access code for that is 901518. That concludes today's conference call. You may now disconnect your line.