MANAGEMENT DISCUSSION SECTION

Horizon Global Corp. (HZN)

Operator: Good morning, ladies and gentlemen. Welcome to the Horizon Global Second Quarter 2017 Conference Call. My name is, Lorie, and I'll be your operator for today's call. As a reminder, today's conference is being recorded for replay purposes.

I will now turn the call over to the Vice President of Corporate Development and Investor Relations, Maria Duey. Maria, you may begin.

Maria C. Bringer Duey, Vice President, Corporate Development & Investor Relations, Horizon Global Corp.

Thank you, Lorie. Good morning, everyone, and welcome to Horizon Global's second quarter 2017 earnings conference call and webcast. Hopefully, everyone has had a chance to review the press release issued this morning. Our second quarter earnings release and the presentation slides that we will refer to during the call are available on the Investor Relations portion of our website.

Turning to slide 2, I'd like to remind you that statements in today's presentation will include our views about Horizon Global's future performance, which constitute forward-looking statements. These statements are subject to risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements. We've described these risks and uncertainties in our risk factors and other disclosures in the company's most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other filings with the Securities and Exchange Commission.

Today's presentation also includes non-GAAP financial measures. Any references to operating profit or earnings per share on today's call will be as adjusted, unless otherwise noted, with a reconciliation of these adjustments to GAAP in our quarterly press release and presentation slides available on the Investor Relations section of our website at www.horizonglobal.com.

Joining me today on our call are Mark Zeffiro, President and CEO of Horizon Global; and David Rice, our Chief Financial Officer.
Following our prepared remarks, the call will be open for analyst questions. If we are unable to take your question during the call, please feel free to call me directly at 248-593-8810.

With that, I'll now turn the call over to our President and Chief Executive Officer, Mark Zeffiro. Mark?

A. Mark Zeffiro, President & Chief Executive Officer, Horizon Global Corp.

Thank you, Maria and good morning, everyone. Thank you for joining us on the call today. We have a lot of exciting news to cover today including our performance, new business and new programs. Before we review our quarterly performance, I want to take a moment to celebrate, Horizon Global's second anniversary as a public company.

On slide 5, you see our financial priorities, which are supported by the three-year plan we released to the investment community during our first earnings call as a public company in August 2015 and detailed the actions we plan to take and the results we expect to deliver by July 2018. Post the sizable acquisition of Westfalia, we'll have more work to do in 2018, but expect 2019 to be the first full year to achieve this measurable results on an annual basis. Our plans are ambitious, but achievable.

Slide 6 highlights how far we have come in two years regarding our financial priorities. It's been gratifying to watch the team come together and experience the many real accomplishments we've made as a team and as a company. Things like driving continuous improvement in cost savings across the organizations, entering into new channels of business and launching our Horizon Global business system on a global scale.

We've made strides to strengthen our balance sheet and we've generated over $50 million in cash and invested $30 million in CapEx. We solidified our OE business foundation and accelerated growth with more than 100 OE program wins. Growth in both new and existing markets, as we also expanded our talent, product innovation and geographic footprint through the three acquisitions we've completed since becoming public, which is a great transition to shed some light on our most recent acquisition, the Best Bars business in New Zealand.

Acquisitions remain a key part of our growth strategy and we will continue to seek the best players in the respective markets that are tuck-in acquisitions such as this. Through Best Bars, we are gaining access to new customers in the market like Jeep and VW. As we integrate Best Bars into our business, we expected to make a positive contribution to operating profit, although, not material for the balance of 2017. We like the profitability profile of the business and is a very welcome addition to our stable brands.

In addition, we have worked hard over the past two years to establish and communicate our company culture to all of our global team members. Our team has expanded to nearly 4,300 employees across 64 locations and 21 countries. We've accomplished so much more than what you see on this slide, but we're really just beginning and our team is not looking in a rearview mirror. We are aligned, engaged and looking out beyond the Horizon to determine what's next for our company and our customers.

Turning out to slide 7, I wanted to kick-off the discussion about our second quarter results [indiscernible] reminder and how balanced our business is. We are not overly dependent on a single geography, distribution channel or product You likely heard me say that none of our competitors truly match-up apples-to-apples with our business model. Horizon is a company of AND meaning that we manufacture and market products for towing and trailering and cargo management. We sell products inside and outside the U.S. we sell our products to OEs and aftermarket customers and retailers, brick-and-mortar and e-commerce. We're a company of AND while our competitors are companies of OR doing this OR that and so on.

When we look at the slide, it's clear how balanced we are from a geographic and channel perspective. Our balanced business model demonstrates how we can keep our momentum and growth going even when a geography or sales channel maybe under pressure at a given time. For example Q2 post a bit of a challenging environment for auto retailers in the U.S., but strong growth in e-commerce offset that softness. Dave Rice will touch more on this during his operating group commentary. The takeaway here is that our balanced business model can and will see us through the natural ebbs and flows of markets, geographies and channel and customer segments.

Let's take a look at slide 8 and touch on trends in our industry and our business. We remain in a position of advantage regarding our OE facing business. As expected, TriMotive and Westfaliaare proving to be a great combination and we have top notch teams across our operating groups that are tailor-fitting programs and working with our OE customers to provide innovative quality solutions for their global business needs.

Overall U.S. retail slowed in the quarter as reported by – excuse me the commerce department and we saw a related impact in the retail portion of the Americas business, particularly in certain automotive retailers.

We saw return to growth this quarter in e-commerce sales with a solid double-digit gain. It's also worth noting that the ongoing trend of SUV, CUVs and trucks taking a large share of SAR continues, as passenger car sales decline, a positive trend for our business. Our quarterly results reflect strong performances for both the European and Australian markets led – being led by OE – the OE business in Europe and increasing SUV and truck sales plus the new industrial business in Australia.

We had every expectation that the addition of the Westfalia business to our company will create a solid foundation from which we can continue to grow our European towing and trailering business, and we're pleased to see this becoming a reality. On the commodity side, the price of steel is still higher than last year, but as we indicated during Q1, we rolled our price increases across all geographies to offset any potentially significant cost impact to our business. Most price increases have already gone into effect or will be in the effect as of today.

Our 51% increase, revenue increase during the quarter is certainly attributable to the addition of Westfalia, to our European, Africa business, but the other divisions also delivered standout results. Organically in Q2, we experienced an across the board sales increase from each of our operating divisions, with the impressive double-digit gain in Horizon Asia-Pacific. We're also pleased with our consolidated 10.3% adjusted operating profit, great progress against one of our key financial priorities. Our pre-tax income increased to 189% and we reported a diluted – excuse me adjusted diluted earnings per share of $0.84. As you're all well aware, we provided guidance for Q2 during our last quarterly earnings release to help establish the expected cadence of our business during this base line setting here with Westfalia. We're pleased to announce that we beat our quarterly guidance both revenue and earnings per share. This is a great result for the team, but there is more work to be done. We'll talk more about this later, but the second quarter beat is a big driver behind our $0.10 increase for the full year earnings per share.

If we turn to slide 9, we can see a closer look at how we're executing against our key financial priorities and the progress we made during the second quarter. Focusing on margins the Westfalia integration remains on track to deliver €9 million in synergies during 2017. We've realized €1.7 million in Q2 to bring that our year-to-date total to €3.2 million. The team remains hard at work and we are encouraged by the continued learnings across our operations [indiscernible] business remains strong across all of our regions and we're making progress in positioning Westfailia for success in the aftermarket.

Adjusted operating profit in the Americas grew nicely in the quarter to 16.5% of net sales, increased volume and cost reduction efforts combined to deliver this result. Asia-Pacific made great gains in adjusted operating profit and adjusted operating margin improvement during the quarter. Even though this is typically quiter quarter for this market due to seasonal winter timing, this business benefited from a combination of new products This business benefited from a combination of new products, new customers and ongoing productivity initiatives.

Looking at our capital structure, we're focused on our goal of achieving a leverage ratio of less than two times. And we continue to make progress during the quarter. Our net leverage ratio is now 3.4 times, down from Q1 of 2017.

Our cash on book cash-on-book is $39.6 million, which represents an increase of $8.6 million over Q2, 2016. The debt restructuring we underway underwrite in Q1, reduced our interest and principal payments by $5.3 million, and positively impacted our Q2 cash available from our, for operations.

Our strong balance sheet allows us the financial flexibility when considering priorities for our cash as demonstrated by our recent actions. Investing in the business, and product innovation to drive growth, buyback shares of our stock on an opportunistic basis and pursuing the right acquisition opportunities.

Driving sales growth, net sales were up across all three regions during the second quarter. Our OE business had 23 new wins during the quarter, with an approximate $24 million run rate, as we continue to grow this important part of our business across, all geographies.

As we indicated, this, excuse me. As we indicated was our expectations during our last quarterly call, we captured much of the missed sales from Q1, that were due from the ERP system implementation. And this timing shift contributed to the revenue growth in the Americas. Our e-commerce business had double-digit gains in the quarter, as we continue to see a shift away from traditional retailers, and are also seeing see, reaching new consumers.

The entire Horizon Global team is focus focused on driving ongoing progress against these three important financial priorities.

Slide 10 is a snapshot of our division's performance during the quarter and their contributions to our consolidated results. We'll gain operating margin, the Americas, Asia-Pacific, Americas and Asia-Pacific reported outstanding results during the quarter and we've been transparent about the work we need to do in Europe and Africa. We expect to continue to make great strides in this region during the back half of 2017 and beyond.

Of course, Westfalia is driving the dramatic sales increase for Europe and Africa, but it is notable that the Asia-Pacific delivered a strong performance during one of its historically slower quarters of the year, while the Americas got back on track after slower than expected start for 2017. Overall, we're pleased with our consolidated performance for the quarter.

Turning to slide 11, I'd like to provide an update on the progress the team made on our margin dashboard during the quarter. We're on track with the integration of Westfalia and expect to deliver €9 million in synergies for the full year. We continue to optimize the organizational structure as we also seek to maximize benefits from our sourcing and supply chain initiatives. As part of our efforts to align and optimize our freight and distribution efforts in the Americas, we just announced last week that we will be opening a new state-of-the-art distribution facility in Kansas City area later this year.

We will begin shipping goods from this facility by the end of 2017 and the 512,000 square foot facility will feature technology and automation features, that will increase our productivity and the throughput speed for our customer orders. Because of this consolidation into this main U.S. hub, we've announced that we are significantly shrinking our physical footprints and staff in both Dallas, Texas and South Bend, Indiana. These locations will continue to exist as regional support facilities. While we'll not realize any significant cost savings this calendar year, we expect that benefits to ramp up quickly during the first half of 2018 and we expect to achieve full run rate of savings in the $5 million to $7 million range for 2019.

Our sourcing initiatives remain front and center and our global team moved efforts forward in the quarter to reduce the supply base by 20% by year 2018. We continue to leverage the buying power of a larger organization and the sourcing team is working with our key suppliers to leverage our volume for cost reductions. This is part of our former supplier expectations that were introduced at our Global Supplier Summit this past April.

New product development remains a focus and frankly, it's an element of acceleration for us as an organization and we're working with our OEs to offer custom products and solutions. We're also focused on innovation and delivering the products, our recreational industrial customers need today.

While we also work closely with them to look out over the next few goals to develop the products they we'll need in the future. A great example of this effort is a new industrial business with a customer in Asia-Pacific that we discussed earlier. We're also looking forward to the November

SEMA show, where we'll be showing the results of the important work that our engineering and product development teams have been working on.

The last item on this dashboard is the Horizon business system. We've included this as a detailed slide in the appendix to this presentation, but I want to take this opportunity to discuss it here. Our Horizon business system has been rolled out to the organization as in place to govern our margin improvement efforts and other efficiency and cost saving initiatives across our global operations. We talk a lot about continuous improvement and this is the heart of the Horizon business system. Key goals include driving operational excellence, greater productivity through reduced cycle times and increased efficiency in our facilities and operations around the world.

I'd like to turn the call over to Dave Rice, our CFO, who will provide additional insight into the company's second quarter 2017 performance. After Dave's comments, I'll be back to share some final thoughts and discuss our revised guidance.

David G. Rice, Chief Financial Officer, Horizon Global Corp.

Thank you, Mark. In the commentary to follow, I will be discussing our performance in the quarter on an adjusted basis, excluding special items, which have been identified in the appendix of today's presentation.

Also included in the appendix is a reconciliation of all adjusted non-GAAP results to the most comparable U.S. GAAP measure. References to earnings per share in my commentary refer to adjusted diluted earnings per share attributable to Horizon Global, excluding special items. Cash flow and balance sheet commentary will be on an as reported U.S. GAAP basis.

With that, please turn to slide 13 for a summary of our second quarter results. Net sales increased 51% compared to the second quarter of 2016, primarily the result of Westfalia, an acquisition in Q4 of 2016, as well as double-digit organic growth in the Asia-Pacific segment. Further contributing to the increase was the shift to sales from the first quarter into the second quarter in the America segment.

Operating profit reached 10.3%, and increased $8.8 million or 51% to $26.1 million from $17.3 million in the second quarter of 2016. Operating profit benefited from both sale leverage and the effects of the margin improvement projects we have completed benefited from both sales leverage and the effects of the margin improvement projects we have completed.

Net income increased nearly 86% to $22 million from $12 million in the prior year. Earnings per share in Q2 were $0.84 as compared to $0.64 in 2016, an increase of 31%. The significant drivers of this increase are improved operating profit and the release of certain unrecognized tax positions. EPS for the quarter also reflects the increased number of shares outstanding as compared to the prior year.

Through the first six months of the year, we have used cash of $14.6 million for operating activities, an increased use of $22 million when compared to the $7.4 million of cash provided at the same point in 2016. This increase relates to higher sales in the second quarter of 2017 versus 2016 and a conscious investment in inventory primarily in the Americas segment. Total debt increased to $280.9 million compared to a $196.8 million with our leverage ratio rising slightly compared to last year. Our total debt and net leverage ratio reflect the acquisition and integration of Westfalia as well as our recapitalization efforts through the first half of 2017.

On slide 14, I'll go through the performance of Horizon Americas. Second quarter net sales in our Americas segment increased $9.3 million. A bulk of this increase came in the aftermarket and e-commerce channels, rising $4.5 million and $3.7 million, respectively. A significant portion of these increases is the previously discussed shifted sales from the first quarter into the second quarter. E-commerce continues to show strong growth and we believe this trend will continue as consumer habits further evolve. The automotive OE channel was relatively flat as a higher volume of brake controllers in heavy duty products were mostly offset by a successful program launch in 2016, that's a high volumes in the first two quarters of last year, which did not repeat this year. The retail channel was down slightly, the result of inventory management efforts at a significant farm and fleet customer.

Operating profit increased $4.2 million to $22.8 million from $18.6 million in the second quarter of 2016. This increase in operating profit is largely attributable to reduced cost resulting from consolidating our manufacturing facilities and leverage on higher sales. Operating profit margin increased 210 basis points to 16.5% from 14.4% in the same quarter last year.

In addition to the impact of our improved manufacturing footprint, operating profit margin was positively impacted by a favorable product and channel mix, which offset increased commodity and freight cost. As previously mentioned, announced price actions relates to increased input costs are set to become effective in Q3.

The results in the Americas benefited from the completion of margin improvement initiatives and the team remains focused on executing additional strategic projects such as the new distribution facility Mark discussed earlier, and continuing to deliver product enhancements and innovation. In addition, the Americas team is responding to changes in our sales channels and providing the commercial support needed by those new and existing customers.

Performance of Horizon Europe-Africa is highlighted on slide 15. Net sales in our Europe-Africa segment increased approximately $73 million due to the acquisition of Westfalia. On a customer-by-customer basis, this segment continues to see organic growth driven by strength in the OE channel, partially offset by weakness in the aftermarket. The team continues to refine our positioning in the aftermarket channel.

Operating profit for Europe-Africa increased to $4.7 million as the business recognized €1.7 million or about $1.9 million in Westfalia related synergies in the quarter.

As mentioned last quarter, these synergies have been reduced for investments made in the business, from a leadership and governance perspective, which are considered in our stated 2017 synergy expectation of €9 million.

Operating profit margin for the segment was 5.4% of net sales, an increase of 250 basis points. We expect the synergy already in place, sorry, we expect the synergy efforts already in place and in process to continue to drive higher margins in future periods.

Integration of the Westfalia business and realization of the related synergy programs remain a primary focus of the Europe, Africa team in addition to launching new OE program. The team continues to refine the strategy in the aftermarket channel to achieve increasing share.

Performance of Horizon Asia-Pacific is highlighted on slide 16. Net sales on a constant currency basis increased 13.3% as this segment grew in all of its markets. The benefit of introducing a new product in the industrial channel continues, as net sales and net channel increased $2.5 million, compared to the second quarter of 2016.

Operating profit increased $1.7 million to $4.6 million compared to $2.9 million in the same quarter of 2016. Operating profit margin improved to 430 basis points to 15.9% of net sales compared to 11.6% in the second quarter of 2016. This increase was the result of cost leverage on higher volumes and productivity gains in Australia as well as cost reductions realized from restructuring activities in our Thailand manufacturing facilities. The Asia-Pacific team remains focused on launching new programs and continuing to identify productivity opportunities.

Additionally, the team is committed to successfully integrating the Best Bars acquisition and developing and implementing a commercial strategy for China.

Slide 17 is a view of our leverage and liquidity. Our total debt at the end of the second quarter was $280.9 million, flat with the first quarter, a trend you see in our leverage ratio reflects the seasonality of our business. We invest in working capital in the first quarter of the year and in preparation for the towing season in the northern hemisphere where the majority of our sales are derived.

Consistent with my comments earlier on operating cash flows, we will continue to delever throughout the year as we convert the working capital on the balance sheet into cash. With respect to working capital, the sales shift in the Americas from the first quarter to the second quarter resulted in a higher receivable balance than we would normally have at this point in the year. This coupled with a strategic decision to carry additional inventory of our highest volume products within the Americas kept working capital flat with the first quarter.

Cash on hand increased $9.4 million to $39.6 million from $30.2 million in the first quarter, and net ABL borrowing remained flat at $20 million with the first quarter. This balance, which would normally decline in Q2 was impacted by the repurchase of approximately 570,000 shares of common stock under our previously announced share buyback program at our total cost of $8.4 million.

Subsequent to quarter end, we purchased an additional 116,000 shares at a cost of $1.6 million. These share repurchases are contemplated in the guidance that Mark will present in a moment. The $71.8 million of available – of availability on our ABL continues to provide adequate flexibility to execute our capital allocation strategy.

In closing, I'd like to leave you with a couple of takeaways from our financial performance. First we are pleased with the performance of all of our regional teams in the quarter. Their efforts to improve their respective business were realized in the result of the quarter. The Americas team recovered from a disappointing Q1 and are on track to deliver the outcome, we expected for the year. Our international regions improved significantly year-on-year both in the quarter and on a year-to-date basis. Second, the improvements made in the debt structure of the business during Q1, provided $5.3 million more cash in the second quarter for the company to strategically deploy.

We continue to focus on creating value for shareholders through our operating performance, while de-levering the balance sheet toward our less than two times target.

If you'll turn to slide 18, Mark will take over and cover our long-term goals, discuss our third quarter and full-year guidance, as well as ramp up our prepared remarks. Mark?

A. Mark Zeffiro, President & Chief Executive Officer, Horizon Global Corp.

Thanks, Dave. If everybody could turn to slide 19. These strategic goals guide our team and our efforts everyday across all of the global operations. You've heard me say before that our global team is aligned with Horizon Global's One Team, One Goal philosophy. We're all focused on working together and moving in the same direction to meet our company objectives. If we could turn to slide 20, I'd like to review the increased guidance that we're providing for the third quarter and full-year of 2017.

In this foundation setting year for the business with the integration of Westfalia, we're providing this additional guidance so investors and analysts will have additional insight into the expected cadence of our business. As such we expect the following; the third quarter 2017 consolidated revenue to range from $225 million to $235 million. The third quarter 2017 adjusted earnings per share to range from $0.35 to $0.40 per share.

On the right-hand side of the slide 20, you'll see our full-year guidance components, with all guidance reflecting the exclusion of any special items. The elements of our full-year guidance remain unchanged, except earnings per share guidance, which are increasing.
The elements of our full-year guidance remain unchanged, except earnings per share guidance, which are increasing. We are raising our earnings per share guidance for the full year of 2017 by $0.10 up over our previously communicated range of $0.94 to a $1.04, our new increased 2017 annual earnings per share guidance is at now a $1.04 to $1.14.

Adjusted operating profit came in better than expected, during the quarter and was earned in more favorable tax jurisdictions. We're moving toward the higher end of our operating profit guidance range for the full year at this time our revenue and operating profit guidance for the 2017 remains unchanged.

Please turn to slide 21. Again, we're pleased to see the Americas post a strong quarter after the [indiscernible] (00:30:25) of a slow start to the year and the timing shifted shipments from Q1 to Q2. Asia-Pacific continue to outperform for the second consecutive quarter, and Europe and Africa also delivered a solid quarterly performance. Every quarter our consolidated operating margin is about 10% is a great quarter. And then we're pleased that we delivered this result in Q2. Our expected synergies remain on track for Westfalia and our integration team is working hard to execute the 2017 portion of that plan on or ahead of schedule.

We've demonstrated very solid progress for and against our key financial priorities and are on track to make great headway towards the realization of our year-end 2018 goals. Our balance sheet is stronger than it's ever been and we have the financial flexibility to both repurchase shares and make tuck-in acquisitions. Importantly, we are raising our full year EPS guidance and it's a clear signal of our confidence in the business, our team's ability to execute and our expectations for solid 2017. We are not taking our [indiscernible] when it comes to our performance goals. We will continue to expand our margin, and drive growth from our acquisitions as we also drive product innovation across the business. We'll remain focused on value creation, value creation for our business, our customers, employees and our shareholders.

I'll now turn back over to the operator and we'll gladly take your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Matt Koranda of ROTH Capital.

<Q – Matt Koranda – ROTH Capital Partners LLC>: Good morning, guys.

<A>: Good morning, Matt.

<Q – Matt Koranda – ROTH Capital Partners LLC>: I'm going to start off with the Q3 guidance, so revenue looks little ahead of where I had expected, but EPS maybe a touch lighter, I think that implies maybe some potential uplift in income tax expense, but it's hard to tell the split between that or maybe some degradation in the operating margin. So maybe you could just give a little bit more color to sort of the inputs that are going into the Q3 guidance in terms of expectations for operating profit versus interest expense versus income tax expense?

<A>: Sure. We do expect our income tax expense to be a little bit higher in Q3, because we don't have the benefit of the UTP roll-off that we had in Q2, so that was very much timed in the quarter. From an operating perspective, volume is a little bit lower in the period, so you don't get close much volume leverage.
We've always mentioned Q3 is our second highest quarter, but we had an exceptionally large Q2, partially because of the roll-off from Q1 to Q2 of the North American volume. So, I would say it's in line with our original expectations, there is nothing that we're doing to take numbers down in the quarter relative to where we thought we would be.

<A>: Normal seasonality associated with the business and frankly non-repeating associated with UTP that we have talked everybody about for the full year.

<Q – Matt Koranda – ROTH Capital Partners LLC>: Okay, got it. That's helpful guys. In the Americas, just wanted to see if you could talk a little bit about what you're seeing in the retail channel. So, one, how much investors be reading through some of the recent softness in automotive DIY retailers to the rest of your retail channel customers? And then two, how is that factored into your Q3 or full year remaining revenue guide here?

<A>: Matt, that's a great question. What's interesting is, if you were to take [ph] Depot beneath the retailer's performance, and I will tell you this is publicly available, you'd find some very odd dynamics in terms of POS by different kinds of product sets. Things that we haven't seen historically in POS that are significant disruptions between certain products having sizeable gains and other products having significant sit downs year-on-year and it's not been delisted on a shelf and it's not seeing changes in our listing levels, it's literally core demand on shelf. So, it's been a really different kind of season so far in terms of core demand within the retailer shelf. I would tell you that there certain retailers that are less effected and have been less effected by a step down in the demand those are the usual suspects and obviously you can follow all of their own quarterly earnings. But I would tell you that we have got a very good cross section of obviously being a leader in this space. To be able to say, there is winners and there is losers in this space and we can see that the e-commerce business continues to grow at an accelerating pace and it is indeed cannibalizing some of the that retail oriented volume.

Now what we are also seeing though is that the retailers are obviously stepping on the gas to otherwise ramp their own e-tail kind of alternatives. So it's a very dynamic distribution channel at this point in time. So what do you expect to read through, from my perspective is we are going to see continued strong OE performance what we saw a nice relative rebound in terms of the after market customers in this space, we saw continued if you will strong growth in e-commerce, I am expecting a similar kind of performance for the remainder and that's kind of what we contemplated in our guidance.

<Q>: Okay, very helpful Mark thanks. Just in North America keeping with the segment here, could you just quantify or help us understand, I think you had said last quarter as much as $9 million in delayed revenue to the after market channel from the ERP implementation, is that what you captured in Q2, help us understand kind of the uplift in the quarter?

<A>: Yeah and we talked about in the context of somewhere between $7 million to $9 million, looking at the results that appears to be fully recaptured. We also talked about $2 million to $3 million of business to predominantly smaller installers that we simply missed out in Q1 and I would say that our belief on that has been reconfirmed, as we look at year to date results. So, I think we're pretty accurate on those estimates and pretty comfortable that we got the volume back in Q2.

<A>: And also affirm the simple fact that we said that the issues of that ERP stumble R&D behind us and they are. Now the great news is that, the self-inflicted wound is behind us. The customers that helped us with being thoughtful around core demand during the period helped us with coming back with good orders in Q2. So we thank them for that. They helped us with stepping through that dislocation and quite frankly, the other piece of this is that we're not done optimizing that ERP in terms of being able to continue to optimize our own throughput for those customers. So, yeah, I think we've recovered everything that we should have and things are in that respect, are only bright lights ahead of us, in terms of really being able to support our customers and our customers supporting us.

<Q>: Got it. Just a couple more. On Asia-Pacific. Could you guys just describe the new product that's driving growth there in a little more detail and since it's contributing to growth there nicely, are there any other regions where you see opportunity for that product to drive growth in the OER industrial channel for you guys?

<A>: Yeah. For sure. It's an under-bed structure for the RV space and it's that under-bed structure obviously is very similar in terms of the technology necessary to make it whether its welding, fabrication in nature and frankly, it was our engineering expertise that brought the customer to us engineering expertise that brought the customer to us and – it's otherwise help them through basically supply dislocation, but also get them a local supply better just in time relative deliveries and frankly a low relative cost. So, the outcome here is that, that's been a local market opportunity.

In terms of that – that opportunity, I could see it – I could see it playing in Europe. I think there is some pretty sizable players in the U.S. that this isn't something that I would necessarily – will see us taking on in the U.S. but in smaller markets where fabrication is a core competence for us, and frankly we have smaller competitors that would be something that we would take on. But let's build some competence, let's build some IP around it and we'll continue to grow that business. The other one...

<Q>: Okay.

<A>: ...and that's pretty interesting, as our mining and agricultural product that we brought in South Africa that is now looking to expand to other regions as well, and that was South Africa, sending products and product technology to our friends in Australia and other places around the world. So, it's kind of fun, because you're seeing the business teams looking at different kinds of products, not just the same things that they've done for years.

<Q>: Okay. Great. Just last one in Europe, Africa. I guess revenue look and touch ahead of where I would have expected, but it – and it looks like it's mostly OE driven, despite some of the improvements you guys have made fill rates in the aftermarket. So, could you just give a little color on what's going on in the aftermarket there and sort of what's driving kind of the lack of uplift given the increased fill rates?

<A>: Yeah. We think about things and we were optimistic about as we improved inventory service levels that, that which help us in terms of earning share back with customers, we haven't seen that. And quite frankly, the businesses has – from a business model perspective has been a bit of a disappointment. Now let me be clear. I'm talking about the aftermarket centered business. The volume has been harder to come by, that's not because of any other reason than ourselves, and our ability to execute and execute flawlessly for those customers.

Recognized that this business was an afterthought for Westfalia for better part of a decade, and as such, we've got to do a better job in terms of earning that business back with our customers and earning the reputation that used to be in place 20 years ago, which is an aftermarket supplier of choice. So it's been bumpier, we had hoped that the improved service level inventory would otherwise help us, and it did to an extent, it's earning us some credibility with those customers, but the volume has not come.

As such, we're taking looks at part of our integration philosophies to better leverage some of our weather related practices, some of our frankly U.S. related practices around how we penetrate aftermarket business and we're looking and we're changing how we do that – how we do that market, how we go to market in that space. So more to come, more to come.

<Q>: All right. Thanks, guys. I'll jump back in queue here.

Operator: The next question comes from the line of Robert Majek of CJS Securities.

<Q – Robert Majek – CJS Securities, Inc.>: Good morning.

<A>: Good morning, Robert.

<A>: Good morning.

<Q – Robert Majek – CJS Securities, Inc.>: Can you give us a little more detail on the new distribution center in Kansas City and why you choose that allocation? And then you mentioned a $5 million to $7 million benefit in 2019. How much will that center contribute in 2018? And are these figures an incremental to some of the previous cost synergies you've discussed?

<A>: Let's start with the last first and the answer is yes, that's part and parcel of the original margin dashboard. Those savings will ramp over 2018. You'll get basically line rate benefits and better. It will integrate its shipments over time and then, as we implement the automated solutions, you'll get the rest of it as it ramps throughout the year.

So, you'll feel it continue to ramp throughout 2018 with full run rate by the end of the year. So, a little bit more about the facility, the facility will be from a technology enabled perspective. We've elected to go with an automated pick and fill related process that will increase our throughput and give our ability to satisfy internal custom orders much more rapidly, allowing us to pick on a more like frankly like an Amazon versus more like an old styled warehouse.

And we'll will use WMS and structure our warehouse management system like that of an Amazon. So to the end of what we're trying to do is, is be able to get a customer order and actually have it be able to pick and ship as quickly as humanly in this case, robotically possible. So, that's what we're after. Also quite frankly, we were pretty hard on our warehouse staff, when we go to the season. And when we go to the season, we ramp pretty hard the hours and the dedication and the over time that's necessary to match consumer demand, that's being obviously pull through the system and this will give us a greater degree of ability to not to have to ramp those hours and the overtime and frankly the dislocation in people's lives towards being there around the clock. So we're really looking forward to this improvement for our customers, but also for the quality of life for our employees.

<Q>: And then you mentioned price increase in the Americas effective in Q3. How much of an increase does that net of writing EBITDA cost and how does compare to previous years?

<A>: We always target specific products with specific situations. We don't go out with blanket related price increases. And so, certain things would – might be 3% price increases, but frankly what we're after is offsetting the material cost inflation now, otherwise we felt. This obviously leaves you with a little bit of weight headwind, but quite frankly that's for us internally to deal with – from a productivity perspective for our customers.

<Q>: And then lastly from me. The tax benefit this quarter, what's behind that? And then on the full year adjusted EPS guidance increase, is that driven fully by the tax benefit this quarter or are there other puts and takes there?

<A>: Let me give the last one first and then Dave can cover off with any additional detail. Robert in my prepared comments, you heard me say we're at the higher end of the operating profit elements of our guidance. So from my perspective, it's pretty clear that we're seeing better profitability and better tax jurisdiction. So therefore, our tax goals are more effective, but it's also kind of profits in better tax jurisdictions. So to that end, it's the input that matters, right. The output is where you pay taxes, and the input in this case is we're making some money and better tax jurisdictions and locations, and we're making more money in those locations. And frankly, you can split that basically 50-50 between the two. So, Dave.

<A – Dave Rice – Horizon Global Corp.>: Yeah, the tax position that we're talking about relates to the acquisition of our first Brazilian business back in 2012. So we found, you know we found some things that were unclear. We put a reserve in place throughout the – the periods that it would take for those tax liabilities to expire which they have now done. So we were able to reverse the reserve in the year. So, it's a onetime event happened in Q2 does not repeat. And it was contemplated in our original guidance, frankly.

<Q>: Thank you. That's helpful. I'll jump back in the queue.

<A>: Certainly Robert.

Operator: [Operator Instructions] Your next question comes from the line of Walter Liptak of Seaport Global.

<Q – Walt Liptak – Seaport Global Securities LLC>: Good morning.

<A>: Good morning, Wal.

<A>: Wal.

<Q – Walt Liptak – Seaport Global Securities LLC>: I wanted to ask about the Westfalia integration, it sounds like it's on track, but to get to that $9 million it looks like there's got to be some actions that happen or support to do in the back half of the year. How confident are you getting to that integration benefit for the full year of 2017?

<A>: Highly confident.

<Q – Walt Liptak – Seaport Global Securities LLC>: Okay. Can you tell us maybe about what actions need to happen or what you've done to make you highly confident?

<A>: Yeah, absolutely. If you look at it, Wal, there's actions already taken place that you just need time in terms of – literally time to elapse between now and year-end. So, those actions are already happened. If you think about it, we break it into five basic buckets.
those buckets of activity were basically staff and structure, those staffing actions have already happened and therefore obviously time just needs to click against those. They never really done with that, but our lion share of the actions there were already taken.

The next major bucket was really around manufacturing footprint optimization and that manufacturing footprint optimization, you heard me talk about the fact that we were trying to solve for inventory levels in the aftermarket channel. We took a pause in terms of shuttering certain facilities. We're going to obviously take effort here towards accelerating that in the back half, but that will necessarily give us a lot of benefit here this year, it will give us a lot more benefit in terms of 2018.

The third major area is about being frankly just more process efficient and manufacturing efficient. And this is about best practice sharing, this is about in-sourcing related activities and this has been a lot bigger in terms of relative performance and benefit savings than what we've probably originally thought we were doing the integration planning whether it was the in-sourcing of test beds and test bed activities that frankly were outsourced by Westfalia that we have capacity internally in Horizon Global to be able to do that internally or in-sourcing related painting or frankly better orienting, frankly relative sourcing of activities.

The fourth major area is about, all about sourcing from low cost countries and we've brought in expert on to augment the sourcing capabilities in Westfalia which they have basically nothing sourced in low cost countries. Simply stated, if you think about it, we do a $150 million plus or minus out of China today out of certified supply base in [indiscernible] and the Americas and you think about that, this is, these are suppliers that we been in business with for in some cases almost 20 years. So these are suppliers that otherwise we can leverage and bring European volume for, so we're in the process now of, of final step toward certification and although our qualification for certain of the products and frankly, the last piece of it is commercial benefit and commercial benefits have come from a lot of different things, whether it's the, the sharing of technology and frankly satisfying customer demands that otherwise we would not have been able to do in Asia, frankly also European customers that couldn't satisfy, that was probably couldn't satisfy demand in North America, whereas John Aleva and the team have been able to otherwise step-in to the shoes of Westfalia in the North American market as an example. So, all of that's stuff is accruing great benefits and that €9 million we're very confident in.

<A>: Yeah well, I would just add one thing, that the other thing that gives us confidence is the, the consistency of reporting on the project. So, Mark is there on a monthly basis going through the program in detail, what he gave you is sort of the billboard numbers and the billboard projects that are obviously detailed projects below those, the team continues to report on, react to if they're off track, so it's a very, very coordinated effort to make sure we get to what we talk about.

<Q>: Okay. [indiscernible] it's something, the first bucket is staffing and structuring and structure is where do you get the, the $9 million in benefits, is that right?\
<A>: [indiscernible]

<Q>: Or does everything has to get executed to get to the $9 million.

<A>: There's stuff across all those buckets [indiscernible].

<A>: Yeah, that was the first bucket we went after, because it was the easiest without doing anything from a footprint perspective, but it's really a piece of all of them.

<Q>: Okay. And when you add them all up, what's – where do you think the benefits will be of the integration?

<A>: Over time, we still have the same goal of €25 million to €27 million.

<A>: Yeah.

<Q>: Okay. Great.

<A>: While the team has done a tremendous job in terms of building a multiyear plan in terms of how to change the profitability of this business, you can already see the improvement in the business pretty demonstrably in Q2. And I would tell you, that's even with a faltering aftermarket business, which frankly we, we hope to expect too and we're going to get margin rate expansion simply because of the business mix growth as well. So...

<Q>: Okay.

<A>: This is looking pretty good.

<Q>: Okay. Great. Can you switch gears just to your gross margin, was down year-over-year, presumably, a lot of that is Westfalia and the gross margin is mixing in. Is this, this gross margin level, you think the run rate that we're going to be seeing going forward? How should we think about your gross margin and material costs, et cetera?

<A>: Yeah. I would tell you, you are absolutely right in terms of the impact that adding essentially $250 million business into our existing business had – now, do I think that, that's representative of where gross margins will be. No, for the very reasons we talked about in terms of the synergies around the European business. So, the efforts that we're taking there will impact not just SG&A, but the cost of sales as well. So we expect that to continue to grow over time.

Now I will say that given the volume in Q2, we do get a lot of fixed cost leverage in Q2, but on annual basis we expect that gross margin to continue to ramp up as we get more efficient in Europe and Africa but also the synergy or the productivity projects that we've implemented in Thailand, in North America and Australia will continue to benefit gross margin.

<A>: I'd say that's also one of the areas that we're really spending our time on is Australia and everything that Jason Kieseker and the team are doing there, whether it's all the productivity improvements – we've been doing business in Thailand for more than a decade, but for the first time we're actually starting to see not just labor arbitrage but fundamental productivity out of that business. Just great efforts by Jason and Andrew [indiscernible] (00:56:03) and the team to actually make real progress there.

<Q>: Okay. Great. Just a couple of last ones, I think, you alluded to I think, in your prepared remarks on working capital in the back half of the year, I'm wondering what you're thinking about the working capital and free cash flow for the second half?

<A>: Well, our free cash flow guidance for the year hasn't really changed. What we talked about was a fact that AR was a bit higher at the end of Q2 just because of the sales volume in Q2 predominantly in the Americas. And we've made a conscious decision in the Americas to stock our high volume parts so that we can service the predominantly the aftermarket going through the third quarter which is where historically we've had challenges, but this is back to – it's difficult to produce to demand in season so we're trying to combat that.

So, our year end working capital number is still 12% maybe certainly sub 12% and we expect to achieve our cash flow our operating cash flow target.

<Q>: Okay. Great. And then just to go back to the price increase, with regard to the market with you know sounds like strategic pricing. In the second quarter, do you think, there was any pull forward of sales ahead of the price increase?

<A>: No, it's been across different regions with different timelines.

<Q>: Okay. Okay. Great. Thank you.

<A>: Thank you.

Operator: Thank you. I'll now turn the call for Mark Zeffiro for any additional or closing remarks.

A. Mark Zeffiro, President & Chief Executive Officer, Horizon Global Corp.

Excellent. Thank you, everyone for your time and attention. Two years, two years as a company, yet so much is changed, whether it's the establishment of a company culture, an operating system process of a business, a tremendous improvement in our business in terms of profit. The expansion of ourselves, in terms of different markets in which we play. I tell you, it's an exciting time to be part of Horizon Global and I tell you, the team is engaged aligned with those objectives. The simplistic view towards those objectives continues to pay dividends for us as we stay focused on those critical few and delivering upon them.

So, I appreciate all of your support, focus and all of the employees that continue to deliver each and every day for us. Thank you.

Operator: Thank you for participating in Horizon Global's second quarter 2017 conference call. You may now disconnect.