MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen. Welcome to the Horizon Global Fourth Quarter 2016 Conference Call. My name is Laurie and I will 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 Duey, Vice President, Corporate Development and Investor Relations

Thank you, Laurie. Good morning, everyone and welcome to Horizon Global's fourth quarter 2016 earnings conference call and webcast. Hopefully, everyone has had a chance to review the news release issued earlier. Our fourth 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 would 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 have 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 adjusted measurements 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 questions during the call, please feel free to call me directly at 248-593-8810.

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

Mark Zeffiro, President and Chief Executive Officer

Well, good morning everyone and thank you for joining us on the call today. We are excited to share another company milestone as 2016 marked Horizon Global's first calendar – full calendar year as a public company. By almost any measure was a transformational year for us. We achieved a number of other milestones during the year, but most notably the acquisition of Westfalia, making us the number one supplier of trailer and towing equipment in North America, Australia and Europe. Focus and speed are a differentiator and we are pleased with the accelerated progress in several areas of the business. I am proud of what our team accomplished in 2016. We continue to execute our priorities while living and breathing a culture of continuous improvement.

Turning to Slide 5, I would like to start off by discussing the trends we are seeing in our industry and our business. The globalization and growth of OE continues and the industry continues to become faster moving and focused on innovations that are heavily driven by technology. A greater number of OEs implementing global platforms, we believe that, that positions Horizon Global via our Global Centers of Excellence and manufacturing facilities for growth. We have the opportunity to expand our customer and revenue base across the geographies we currently do business in, but our team is also pressing forward to take advantage of emerging market opportunities for longer term growth prospects. We are also very pleased to see the e-commerce channel continue to expand in the automotive aftermarket. We see this portion of the market and our business continuing to grow. This trend is positively impacting multiple brands in our portfolio, particularly recent Draw-Tite, which are positioned to meet the online consumer demand for our products.

Looking at overall market indicators, we are seeing favorable trends that should help drive our business in particular consumer confidence and GDP growth are both trending better than previously forecasted. While steel costs have been trending upward and this is something that team is keeping a very close eye on. Changing market conditions are not new to the team and our steel procurement structure is flexible giving us multiple levers to smooth out the ebb and flow of these market conditions.

I want to now touch on a number of key milestones that we feel are indicators of a successful year. If we look at our financial priorities at a high level, we made strong progress in 2016 highlighted by the achievement of 10% segment operating margin for the legacy business. I will discuss these priorities in more detail in a moment, but it is very gratifying that after only 18 months as a public company, we can report that we are closing in our 3-year goals at our faster rate than initially anticipated.

Another major milestone in 2016 was the acquisition of Westfalia, a transformational event for the company. The addition of the iconic Westfalia brand, along with Westfalia's technology and manufacturing capabilities add strength and additional scope to our global platform. By incorporating Westfalia into the Horizon Global family, our company can increase operational efficiencies and accelerate product innovation while driving significant benefits and synergies that will help ensure that we exceed the expectations of our customers and deliver value to our shareholders.

I am even more excited about this acquisition today than I was when I was when it closed in October. The integration of our two world class businesses and teams is well underway. Our transition team is comprised of experienced leaders and operators. Importantly, the acquisition expands our brand's regional and global profiles and allows us to provide a broadened product offering to both new and existing customer channels, including OEs, e-commerce and brick-and-mortar retailers, dealer networks and the end consumer, which transitions nicely to a brief discussion on our current share gains and double-digit growth in the OE portion of the business as well as growth in our retail business, particularly growth in e-commerce, which grew by approximately 26% for the legacy business during 2016. It's also worth noting that our e-commerce business grew at a double-digit pace each quarter in 2016.

As Horizon Global continues to evolve as a global company, especially in light of our recent Westfalia acquisition, we have been focused on developing a rallying point for the entire team. The result of these efforts is an effort that we have launched called one team, one goal, an initiative that serves as a roadmap for every global employee uniting us all and ensuring that we are leveraging the heritage of our brands and cultivating the loyalty of our consumers. Together, every member of our global team is jointly pointing towards our common corporate goals. We are confident that we will achieve great things when our entire team is aligned with and in support of our corporate vision, mission and values throughout the organization. As part of one team, one goal, we remain focused on successfully executing against our global collaboration priorities, meaning that we are leveraging our existing talent and expertise and combining these with new tools, technologies and initiatives that will help us streamline operations and achieve our global plans for growth. Our financial results for our legacy business exceeded our expectations at nearly every level, including sales growing faster, margins expanding more and cash flow coming in yet stronger than anticipated.

Let's go on to Slide 6. Our three financial priorities remain unchanged. This slide indicates the key drivers needed to achieve each of these financial priorities. If we turn to the next Slide 7, you will see some highlights as we execute against these financial priorities. As I shared earlier, we achieved 10% segment operating margin in our legacy business and remain on path to drive margins for the enterprise to that same level. The Westfalia integration is on track to deliver €9 million in synergies during 2017 and will position us strongly for future company-wide margin improvement. Additional projects completed during 2016 like the consolidation of our Juarez and El Paso facilities and the implementation of CMS in North America will also help drive a margin improvement in 2017. Our leverage ratio increased to 3.6x in the fourth quarter, following the incremental debt added for the acquisition of Westfalia. Our leverage ratio will come down in the first quarter of 2017 given the reduction in debt from our dual tranche offerings in February, which also increases our financial flexibility for potential future acquisitions and the support of our strategic business objectives.

Our 2016 net sales growth for the legacy business on a constant-currency basis was 4.2%, coming in above the midpoint of our expected range. Our OE businesses continued its March along the path of sustained growth as it grew nicely in the – for the fourth straight quarter. For the full year, our OE business had 52 wins, with an approximate $80 million run rate. And e-commerce grew at a rate of 26%. We expect continued strong performance for the OE segment of our business in 2017 and continued sales momentum in our e-commerce business. The entire Horizon Global team is energized and dedicated to driving continued progress against these more important financial priorities with the focus on organizational excellence, continuous improvement and operational alignment.

Moving on to Slide 8, this chart should be familiar to many of you as it highlights our progress on the programs we are executing to deliver margin improvement. I am pleased to report that the ERP implementation in North America has been completed as of January 1, enabling efficiency gains and yet new projects for new structural savings in 2017. The consolidation of Mexican production is complete, productivity is greatly improving at Reynosa and savings are on track for 2017. Our sourcing initiatives continue. We have plans to reduce our supply base by 20% over the next 2 years. To ensure our global partners are aligned with our goals as a company we will be conducting our Inaugural Supplier Summit in Shanghai in April.

Brand consolidation is well underway with further brand simplification ahead of us. Most notably, this is really going to come in areas outside of North America. Our belief is that, this focused effort will increase engineering capacity for further product innovation, which is the last item on the chart. Our new product development is taking on greater significance as we increase speed to market and reduce cycle time. In total, we are on track with all of our major initiatives for 2017 and beyond.

On Slide 9, I would like to take a moment to update you on the integration of Westfalia. Our leadership team is in place aligned and organized around the OE and the aftermarket businesses. Processes and businesses – business behaviors are changing to align with the company direction. Importantly, we have a VP of Global Operations and Manufacturing Strategy that is now in place, in charge with implementing strategies to support operational improvements and optimizing our manufacturing footprint. We are also in the process of operationalizing incremental synergies. The integration team is working diligently to transform the business by providing focus and a culture of accountability.

If we take a more detailed look at the synergy efforts, they come in the following areas. Facility rationalization is underway. We are optimizing the organizational structure. And we are leveraging our sourcing and supply chain due to our much larger size. It should also be noted that, best practice sharings has been underway since the acquisition closed and we are already seeing a positive impact on facility productivity. Additionally, we are leveraging our key relationships across all of our businesses to cross-sell and promote our full brand portfolio.

With that being said, I would like to now turn the call over to Dave Rice, our CFO, who will take a deeper dive in the company's performance for the fourth quarter and full year 2016. After Dave's comments, I will be back to share some final thoughts and introduce our initial 2017 guidance. Dave?

David Rice, Chief Financial Officer

Thank you, Mark. In the commentary to follow, I will be discussing our performance for the year 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. Cash flow and balance sheet commentary will be on an as reported U.S. GAAP basis. On Slide 11, Mark presented – as Mark presented through his comments, we are pleased to confirm that we delivered on the elements of our 2016 guidance. Both the operating cash flow conversion and tax rate measures have been presented, including the impact of Westfalia for simplicity. Our tax rate inclusive of Westfalia is higher than projected as the mix of profitability and our higher tax jurisdictions market speed expectations.

Now please turn to Slide 12 for a summary of our full year results. The fourth quarter of 2016 represents the first time that Westfalia's results are consolidated with the legacy Horizon business. The scale of Westfalia as well as the financing cost to complete the transaction and the immediate impact of purchase accounting entries obscured the performance of our legacy business on a GAAP basis. Over the next few slides, I will illustrate the robust performance of the legacy Horizon business and clarify the impact of Westfalia in the quarter. This will then set the stage for Mark to discuss our outlook for 2017.

On a total company basis segment operating margin expanded 50 basis points over 2015, including the results of Westfalia which generated a small loss for the quarter. As Mark pointed out, our legacy business achieved 10% adjusted segment operating margin for 2016, this represents an improvement of 300 basis points from the adjusted segment operating margin reported for 2014, prior to our becoming an independent public company. Full year incremental interest costs of $11.3 million and corporate costs of $2.6 million were the most significant contributors to the decline in adjusted net income of $9.7 million and adjusted EPS. Operating cash flow increased nearly 32% from 2015 to $35.4 million, in spite of the cost to acquire Westfalia and the aforementioned incremental interest costs. Our leverage ratio of 3.6x reflects the incremental borrowing of $152 million in secured debt to finance the purchase of Westfalia.

Horizon America segment is presented on Slide 13. With our new segmentation operations in Brazil have been combined with our North American business for all periods presented. Full year net sales in our Americas segment reflect the year-on-year improvement of 3.2% with strong growth out of both OE and e-commerce channels. In addition, we saw strength in pockets of the aftermarket channel, although declines in volumes with smaller regional distributors, more than offset strength in our national distribution partners. Adjusted operating margin improved for the year, with growth of 170 basis points over the prior year to 11% of net sales. The margin improvement was primarily the result of a favorable input costs, partially offset by investments to support growth initiatives and costs associated with an ERP implementation.

Input costs were favorable based on lower commodity costs, labor savings due to the Mexican peso and the benefits of the integration of the North American businesses. Note that, while we have seen costs of high-rolled steel increasing most of the impact to-date is included in our balance sheet and considered in our 2017 outlook. The team remains focused on the next steps of the integration of the North American business activities and processes, now that one ERP system is in place across the business. In addition, emphasis is on continuing to leverage the investments made in our OE structure and accelerating product enhancement and innovation.

Performance of the Horizon Asia-Pacific segment is highlighted on Page 14. On a constant currency basis, net sales in our Asia-Pacific segment grew 7.7% as compared to 2015. As Mark mentioned in his comments, our team's execution of a global OE strategy has continued to result in new program launches in this segment. Australia, Thailand and New Zealand, all participated in this growth, more than offsetting the headwinds in Thailand in the front half of 2016 as volume from former programs was replaced with new products and customers. Adjusted operating profit for Asia-Pacific rose nearly 44% to $11.2 million and operating profit margin increased 280 basis points to 11% of net sales. The most significant improvement in this segment came from incremental margin on new OE and industrial program wins. Productivity gains in Australia and more stable exchange rates on purchases in U.S. dollars and Thai baht. The Asia-Pacific segment will continue to focus on the smooth launch of new OE and industrial programs across the region, while accelerating manufacturing productivity.

Slide 15 reflects the results of Europe – the Europe-Africa segment, with the impact of Westfalia transaction would be a major driver of the outcomes. Please note that Westfalia's sales in Q4 of 2016 comprised about half of the annual sales for the total segment. Net sales in the Europe-Africa segment more than doubled year-over-year with the inclusion of Westfalia in Q4. In constant currency, the legacy Horizon business increased 5% in 2016, as new OE wins in Europe and full volumes – full year volumes in South Africa more than offset softness in the UK aftermarket. The operating loss for the year was a result of the subscale legacy businesses in Europe, which was negatively impacted by unexpected lower OE volumes in Q4, for which the business was unable to fully flex. We also believe that some degree of operational distraction driven by both the transaction itself and the immediate implementation of our integration projects are in part the cause of this performance.

In addition, Q4 is the lowest volume quarter for Westfalia and its cost structure has been heavy for the business that supported. This in part creates the opportunity for synergies that we have previously presented. As 2017 starts, the team in Europe is focused on five major integration steams to drive value and improve performance. Providing more reliable supply to the aftermarket channel remains a major priority as is the smooth launch of previously awarded programs across the region.

Slide 16 is a view of our leverage and liquidity. As of December 31, we had approximately $130 million in total liquidity, relatively flat with the year end 2015. Within this overall number is a more efficient working capital profile with accounts receivable and inventory days, both improved from the prior year, leading to a lower borrowing base on the ABL and higher cash on hand. Note that cash increased from $23.5 million to $50.2 million was about $32 million of domestic cash available. The consolidation of Westfalia also changes our working capital and liquidity profile as operations for that business are financed through an accounts receivable factoring arrangement. That combined with an OE inventory, OE inventory profile as opposed to the aftermarket and retail model in the U.S., leads to a lower overall working capital investment for the business at large. As previously noted, our debt of $350 million reflects the incremental borrowing of $152 million under our existing Term B loan to finance the Westfalia transaction. The subsequent dual convertible debt in equity offerings closed in February of 2017 resulted in a pay-down of that line by $177 million in the transformative effect on our leverage profile.

Slide 17 reflects the impact on our leverage and capital structure as a result of this February 2017 dual offering. As mentioned, we closed 2016 with a 3.6x net leverage ratio, a level we have been at before and one we are comfortable we could quickly improve to the cash generation of the business and the synergies available in Europe. Given the performance of our legacy business in 2016 and the uncertainty associated with the changing geopolitical landscape, we decided to simultaneously launch public offering in both our common stock and convertible debt, resulting in the issuance of 4.6 million shares of common stock and 125 million in convertible bonds. The aggregate proceeds from the offering exceeded $200 million, with the $177 million being used to pay down our Term B loan. This lowered our secured leverage ratio to 1.9x in our total leverage to 2.7x. As a result, Horizon will save approximately $9 million in annual cash interest costs and about $5 million in GAAP interest expense, the difference being the amortization of the debt discount on the bonds, recognizing the component of that offering. This new structure not only de-risked the balance sheet but also provides added flexibility to Horizon in the pursuit of our strategic objectives.

In closing, I would like to leave you with three takeaways from the conclusion of our first full year as a standalone company. First, while we celebrate the achievement of our initial financial objective, the attainment of 10% segment operating margin in our legacy business, we are keenly focused on the next goal of 10% enterprise operating margin, inclusive of Westfalia. You will note that I did not refer to this as our ultimate goal, since we believe it's just one more step in the growth of our organization. Second, we are reminded daily of the benefits of operating as one team with one goal across the global enterprise. This operating philosophy is part of how we do business everyday and it's rewarding to participate in an organization that's evolving as quickly and successfully as this one. This mindset has never been more evident to me than in the display of teamwork exhibited across our company in this year end reporting cycle, including the initial consolidation of Westfalia.

Thank you all who worked countless hours to get us to this point. And finally, our focus on cash generation and the appropriate capital structure for our organization at this stage in our maturity is expected to increase our ability to execute our strategic priorities and allow us to continue to refine the vision of what our company will be in the future.

Now, if you will turn to Slide 18, I will turn it back over to Mark, who will remind you of our long-term goals, present our outlook for 2017 and wrap up our prepared remarks. Mark?

Mark Zeffiro, President and Chief Executive Officer

Thanks, Dave. On to Slide 19, I would like to take just a moment to focus on our strategic goals. We are much closer to our 3-year sales targets than we were at this time last year. And certainly, the acquisition of Westfalia has a great deal to do with that. We are hard at work and making great progress integrating Westfalia. Acquisitions remain a front burner priority for us and we will continue to seek businesses that are the right strategic fit from a product, geography innovation perspective. The other financial thresholds are on the slide – on this slide are a clear demonstration that we are dedicated to delivering outstanding financial performance for the company, while also rewarding our shareholders. Against this strong financial backdrop, we are committed to providing our global employees with opportunities to be rewarded personally, professionally and financially.

If you could now turn to Slide 20, I'd like to discuss our financial outlook and expectations for the full year of 2017. It is important to note that guidance included on this slide reflects the inclusion of Westfalia for the full fiscal year. We expect solid performance from each of our business segments during the year and we will continue to fuel our growth by investing in design and product innovation across our portfolio. As we drive to expand our market share in both the OE and aftermarket channels, we will also maintain a strong focus on expanding the e-commerce portion of our business. Additionally, we will recognize a full year revenue contributions from Westfalia and are working to integrate this business as we are also focused on mining additional synergies by optimizing our operations and facilities in Europe. As I discussed previously in 2017, we will see the full annualized positive impacts from the consolidation of our Juarez and El Paso facilities and the systems integration of CMS in North America. All of these factors inform our initial full year 2017 guidance as follows: revenue growth of 30% to 35%, with organic performance in the 3% to 5% level; adjusted operating profit between $53 million and $59 million, up 60 basis points to 100 basis points showing growth of approximately 50% year-on-year; operating cash between $40 million and $50 million; adjusted earnings per share between $0.90 and $1.

Please turn to Slide 21. As a company that serves OEs, retailers, dealer networks and consumers, we remain focused on leveraging our strengths across our global operations as we also work towards finding the right balance and achieving a profitable and sustainable business mix. We are pleased to have delivered against one of the measures established in our key financial priorities ahead of expectations, the achievement of 10% adjusted operating margin at the segment level for our legacy business. Beyond achieving the operating margin milestone, at the segment level, we are also very pleased with our overall progress we have made against all of our financial priorities. And we are gaining on them faster than expected. We are well down the path of integrating Westfalia into Horizon Global and expect €9 million in synergies in 2017.

Our successful recent equity and convertible debt offerings raise significant capital for the company, helping to pay down debt, strengthen our balance sheet, so we have the flexibility to prioritize future uses of cash. I am passionate about our business, our customers and our team and I believe 2017 will be another milestone year for Horizon Global. The successes from this past year would not have been possible with our dedicated team of global employees. I want to thank each and every member of the Horizon Global team for their important contributions. We took tremendous steps forward during the past year to grow our business around the world. And this year we will be focused on optimizing our business, capitalizing on synergies and opportunities from the Westfalia acquisition and launching innovative products in the marketplace. All of these initiatives are expected to position our company for long-term growth and success as well as deliver value for our shareholders.

I will now turn it back over to the operator and we will gladly take your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Robert Majek of CJS Securities.

<Q – Robert Majek>: Good morning.

<A – Mark Zeffiro>: Good morning, Robert.

<Q – Robert Majek>: The adjusted EPS guidance of $0.90 to $1 is a bit lower than what many were expecting? Can you just kind of help us understand the go-forward margin profile of the business and if anything has changed in your view? And then perhaps can you breakout your expectations for D&A, interest and tax rate?

<A – Mark Zeffiro>: Let me take a first crack at that and then Dave will add additional content. Now when you think about consensus, I believe was in the $1.30 range that would have been out there from all of the analysts, not that that was our guidance for 2017. That was the analytics performed by folks out in the industry. If you look at the one major difference is the share count. If you look at the income incumbent within that, it's within row of apple trees associated with what we expected. So to that end, from an income perspective and from a cash perspective, we are right in line with what we originally considered. So Dave, why don't you add some additional color there?

<A – David Rice>: Yes. The chart on Page 20 of the slide deck which show you that we are calculating a 33% headwind just based on share count. So you asked about D&A, it will run with Westfalia all in about $25 million for the year. Our tax rate blended should be about 22%, but we have a UTV that will reverse in Q2 of about $3.5 million, so that will lower the full annual rate we expect to somewhere around 11%. And then did I miss anything in your question?

<Q – Robert Majek>: Interest costs.

<A – David Rice>: Interest costs, the GAAP interest number is somewhere in the mid-20s, $25 million, $26 million and the cash interest costs is about $4.5 million lower than that, so just over $20 million.

<Q – Robert Majek>: Thank you. And then previously, you have discussed a $10 million a year synergy target for Westfalia this year, is that still the case and is that built into your guidance. And then just more broadly, looking out over the next 2 years, can you just give us an update on what your total cost savings and synergy target might be across the entire business?

<A – Mark Zeffiro>: I am going to ask you to refine your question in the back half of that. And when you see synergies and cost benefits, are you talking Westfalia or are you talking about the business at large?

<Q – Robert Majek>: Both. Got it.

<A – Mark Zeffiro>: Okay. The synergies that we had otherwise identified, the first chunk of it is €9 million. We are well on our way to be able to deliver that here in 2017. The expectation that we had when we announced that the deal would be less than 4x as a result of the synergies and activities, that we saw as achievable are at still directly ahead of us. I think we are off to a good first chunk of those synergies Robert and with others that we are operationalizing as we speak. Now with any integration of the business, you have got some things that happen sooner and some things that happen later, integration of manufacturing facilities, obviously is a longer pole in the tent. So the things that we are getting now are more practical, tactical and business optimization efforts. So we are pretty confident with respect to our goals in that context. We think about the other way to answer your question around the enterprise and its totality. We are still on a march to 10% as an operating profit level for the enterprise. And the things that you see ahead of us, whether it's on the margin dashboard as otherwise presented and other things that are still yet ahead of us, through the efficiencies gained and the Americas as a result of the CMS implementation were frankly, the expansion of industrial products in Asia are all margin accretive and things that we are actively working on. So our first step was to get to 10% segment operating profit. And if you reflect on that a little bit, 2014 I think in Dave's commentary, we have seen a 300 basis point expansion in margin since 2014 as a company. The reality is we are not done. But we have got to celebrate the achievement of that 10% now and then 10% as an enterprise and then we are going to continue this march ahead.

<Q – Robert Majek>: Thank you. That's helpful. Just lastly for me, when you announced Westfalia, I believe your expectation for EBITDA was around $18.5 million for 2016, how did that come in, what was the delta there. And then just looking forward, can you just update us on your outlook and seasonality for that business?

<A – David Rice>: Yes. And the way I will answer that Robert is, you are correct on what our assumption was in terms of the 2016 EBITDA. I would tell you that the actual number came in a little bit lower, but not materially different. More importantly, the expectation we had for growth in EBITDA, mainly based on the synergies that Mark has talked about are still intact, so I guess what I am saying is they came in a little lower than we expected at the beginning, but our outlook for the performance and contribution of that business is unchanged from those initial assumptions.

<Q – Robert Majek>: And just the last part of the question just the seasonality of that business both in terms of revenue and earnings going forward?

<A – David Rice>: Yes. It looks a little bit like ours with may be less amplitude in the curve. So Q4 will be their lowest this quarter as it is for us as well. And North American automotive industry kind of works that same way. What causes them to be a little bit seasonal than us or at least historically has been that aftermarket is not as important to their current sales mix as just ours. Now that's something we are actively trying to change. So if we are successful, I would expect their seasonality to look a lot like ours.

<Q – Robert Majek>: Thank you.

Operator: Your next question comes from the line of Matt Koranda of ROTH Capital.

<Q – Matt Koranda>: Hi guys.

<A – Mark Zeffiro>: Good morning Matt.

<Q – Matt Koranda>: I am going to try to attack the guidance question a bit of a different way. So the adjusted EBIT guidance, I think implies that either Westfalia isn't really offering as much in the way of EBIT as initially expected or that the core business is flat or negative year-over-year in terms of EBIT margin, could you help us kind of understand the puts and takes there?

<A – David Rice>: Yes. I would tell you that neither one of those is actually the case. Both of the legacy businesses are all the legacy businesses are in fact accretive year-on-year. And Westfalia is contributing what we expected to. So the question would be, are you first in easy questions, are you considering the share count differential appropriately, the GAAP interest expense is a little bit higher than the cash interest expense will be given that you have to allocate a portion of that convertible to equity and that amortizes over the life of the bond. So that adds in the first year about $4.5 million of expense and interest that you wouldn't get if you just calculate based off the base rate. But the chart on Slide 20, the reason those buckets are all green is because they are actually accretive in the current year.

<Q – Matt Koranda>: Okay. I am just trying to put sort of I guess if I look at the consolidated operating profit guidance of $53 million to $59 million, so I would take $56 million at the midpoint, adding the $25 million of D&A for the year, that puts me at $81 million for sort of an adjusted EBITDA figure, but if I would back out roughly what Westfalia should be contributing, which is around, let's say somewhere around the high-20s, given that it was about $18 million run rate before and then you are achieving roughly 10 million in dollar synergies for the year, that puts me at sort of a loss for the base business, so I am just trying to put those two things together?

<A – David Rice>: Yes. So the challenge really is working with EBITDA in the context of Westfalia. So the historical EBITDA would have been based on their historical depreciation, their historical amortization, all of which has now changed with purchase accounting. The way that we think about the business really is operating profit level. And the business generated in the mid to high mid single million dollar operating profit type numbers. We are talking about adding €9 million to that number. So from an operating profit perspective, that puts them in sort of mid-teens range. Not at the high-20s.

<A – Mark Zeffiro>: In dollars.

<A – David Rice>: In dollars, yes.

<Q – Matt Koranda>: Okay, got it. I will take the rest of that offline guys. I wondered if you could just address commodity inputs for a moment, obviously it seems like steel has moved up and you did a little in your prepared remarks, but I did hear you say that essentially the upward pressure is already captured on the balance sheet, so should we take that to mean, most of that upward pressures already in inventory here and sort of how do we think about the impact on margins in the base business there?

<A – David Rice>: Yes. The challenge is really trying to correlate the base changes in hot rolled steel when you see an index posted with our costs. It was a challenge that we have had, because I have reacted over time seeing our commodity list come out and thinking costs are going crazy. But the cost of hot rolled steel, if you look at it from December of '15 to January of '16 and it's like 37%. We saw nothing like that in terms of our cost structure. So when I said that the cost was insignificant in the year, that's really true. Starting about September, we begin to put some increases in cost on our balance sheet, so across the organization, just by order of magnitude it's less than $1 million sitting on the balance sheet right now for material costs. And we have line of sight on the first 6 months cost. So we are not seeing anything that looks like a 37% increase on our material cost across the business right now. Obviously, it's something we are continuing to watch as it filters through the supply chain, but right now what we see in front of us is, is cash in our guidance is not a big driver of our performance expectations in 2017.

<Q – Matt Koranda>: Got it. That's helpful. And just when you look at potentially the ability to kind of put through price increases to your customers or pass on some of the commodity input cost increases to the extent that they do occur maybe later in the year. How do we think about sort of the lag time that's associated with that between kind of when the pricing goes up and when you get the ultimate price relief from customers?

<A – Mark Zeffiro>: That's a great question, Matt. When you think about it, we need to demonstrate to those customers when we start to feel real costs coming into the system, but that's a, I would tell you the longest poll in that in terms of getting that price increases is likely in the retail side of the business. And I would tell you that, things that we are seeing in the market with direct import – historical direct import business that was not ours. They are actually putting out the bid, because they are feeling it today. So I would tell you that the market is adding pressure to otherwise go to those retailers where the cost increased. So we are paying very close attention to what that means to us. And the objective obviously is to be rational in terms of what that could mean in terms of our pricing.

<Q – Matt Koranda>: Okay, got it. Maybe one more here. I did hear you mentioned the ERP implementation in North America is now complete and that could kind of result in some additional projects. I just wondered if you could highlight what some of those projects might be, are they going to go up on the margin dashboard at some point in the near future here. Just a little color around that?

<A – Mark Zeffiro>: Yes. Matt, the CMS implementation, it enables John Aleva and the team to actually operate as one team. This will drive efficiencies in all facets of the organization, whether it's how we engage the deployment of inventory across the system or how we actually align resources to support customers or how we align resources in the support organization? So, as we get more into these activities, we will continue to talk about them, but the first thing was to get that CMS implementation done. It took us a little longer than all of us would have hoped. And then you really don't want to do an ERP implementation in advance of consolidated year end filing. So, that pushes into 2017. The good news is the team is already running hard on other aspects of that, including things that we talked about. How do we optimize freight and the freight costs for the business? So that's what you will start to see as start to populate. The consolidation of our Mexican operations is going to come off the list, because that's done and now it's just CI-related and the productivity of the manufacturing costs in Mexico itself. So we are going to need a big chunk of money on the list.

<Q – Matt Koranda>: Got it. All right. I will leave it there, guys. Thanks.

Operator: Your next question comes from the line of Elizabeth Suzuki of Bank of America/Merrill Lynch.

<Q – Elizabeth Suzuki>: Good morning, guys. Just wanted to ask about the e-commerce side of the business, which looks like it's really strong. Can you just talk about what was driving that strength, how much of it was overall market growth, how much was market share growth and whether there were any particular channels or products that were particularly strong than e-commerce?

<A – Mark Zeffiro>: Great question, Elizabeth. I would tell you that the way in which we see this is that e-commerce is a share of market taker in our industry and consumers are reaching more directly around the world in terms of how they want to buy products. So we are seeing the likes of our traditional e-commerce customers showing continued share take of the overall market. And I would tell you that, we do a lot of work with our brands to make sure we are positioned properly and that we have the appropriate offerings available in that particular channel set. What's interesting here is that, if you look at our growth it was double-digits, clearly double-digits across the year. Our markets base didn't grow double-digits, so it's pretty obvious that there is a shift in the market space to a more e-commerce-oriented structure. So, we have made great investments in the Americas as well as other places in the world, including Europe and I would tell you some nascent related activities in Asia. And that's reality as consumers want to buy that way and consumers are not buying directly from us, but they are also buying from e-tailers in that context as well. So, it's a shift that we think is here to stay.

<Q – Elizabeth Suzuki>: Great. And what percentage of the overall business did e-commerce represent for 2016, including Westfalia?

<A – Mark Zeffiro>: Including Westfalia, that obviously, was much more heavily OE. On the legacy business, let's call a circa just about 10% a little less than that as a result of the addition of Westfalia.

<Q – Elizabeth Suzuki>: Great, thank you. And just one more quick kind of housekeeping question, the share count guidance, does that include the dilutive impact of the convert using in its inverted method or is that just including the shares raised in the equity portion of the offering?

<A – David Rice>: It's good question, Elizabeth. The dilution includes – I mean, sorry, the share count includes just the shares that we issued. The convertible with the cost spread over it doesn't become dilutive until a share price of about $29.60. So, we did not factor that into our calculation.

<Q – Elizabeth Suzuki>: Great. Okay, thank you.

<A – Mark Zeffiro>: You bet.

Operator: Your next question comes from the line of Rudy Hokanson of Barrington Research.

<Q – Rudy Hokanson>: Hi, thank you. A couple of questions. One, my phone seemed to have broken up, what is your effective tax rate for 2017 again?

<A – David Rice>: All-in, Rudy, it's about 11%, that's based on 22% being our sort of natural rate and a UTB that reverses this year of $3.5 million.

<Q – Rudy Hokanson>: Okay, thank you. And then I think you alluded to this, but could you talk a little bit about the issues regarding the management of your working capital as you are looking at the different parts of the business, the OE business as well as the aftermarket business. Is this something that's going to put some pressure on your profitability in the near term?

<A – Mark Zeffiro>: No, no. In Dave's prepared remarks, we saw with the addition of Westfalia for us as a company, we continue to see our working capital as a percent of sales continue to drop. And that's because of the more natural take on production that you feel as a result of having a greater concentration or greater amount of OE-related volumes. So to that end, that's kind of like just natural math for us. The opportunity we have in Europe is – and this was something that we have talked about publicly is that the aftermarket business in Westfalia was a stepchild for lack of a better way to describe that business market. It wasn't a focal point of that business and it was considered as a shock absorber to the rest of the overall productive capacity. So, we see this as a result of really realigning production and creating capacity for their aftermarket business in Europe. We have got some real opportunities for the business growth in that space.

<Q – Rudy Hokanson>: Okay, thank you. What's your assumption in terms of a percent of sales for corporate expense in 2017?

<A – David Rice>: Well, it's going to be between $23 million and $24 million. Let's just do it in terms of dollars. That's our current expectation based on what we see in front of us today. So, I won't get you caught up in the math around the revenue range.

<Q – Rudy Hokanson>: Okay. And then do you have – I haven't had a chance to work through this yet, but do you have a specific target for when we see the 10 and 10, margins again, the 10% segment now that everything is altogether as well as the 10% after corporate expenses for operating income? Do you have specific years?

<A – Mark Zeffiro>: Yes. Rudy, we are obviously thrilled with the performance of legacy businesses that they got to the 10%. Frankly, in advance of when we thought they get there, with the addition of Westfalia that provides us a little more work to do. But with the synergies it's not too far ahead of us to get to 10% as enterprise again, it should be at a segment level and quite frankly, the total enterprise goal that we had for 36 months after we launched, we are plus or minus a quarter outside of that window. So we are still trucking. And obviously, the intensity around improving the Westfalia business is incredibly important to us. And we are focused on it.

<Q – Rudy Hokanson>: Okay. Thank you. Those are my questions.

<A – Mark Zeffiro>: Thank you, Rudy.

Operator: We have time for one last question. You final question comes from the line of David Cam of Wells Fargo.

<Q – David Cam>: Hi, good morning everyone. Just quickly on a couple of things. You mentioned that on steel prices that you guys can mitigate that, the best of my understanding is you don't have pass-throughs or escalators, so can you sort of explain or bridge the difference as to how you guys would do that in the case that steel prices remain elevated. And then what is the steel price assumption that you guys are baking into your 2017 guidance, is that Q4 exit rate average or is that the December exit rates, how should we think about that? And then I have a follow-up.

<A – Mark Zeffiro>: Yes, for sure. David let me take a crack at this and then Dave Rice will add some additional context to it. Steel is important to us, no doubt, okay. But I would tell you how we buy. We haven't felt the 37% increase, plainly. I want to make sure that it gets through to everybody. What we have seen in terms of our cost increases has been significantly less than that. And this is something I think some people are missing here. And what's important here is that, how we buy our steel is basically six months out. We understand and we lock in pricing associated with it. So we have been able to otherwise at the margin so to speak, to be a much more effective and efficient with respect to buying steel. And that's not to say that other people aren't smart, they are just saying that's legacy wise, how this business has had to operate and that pressure of being sensitive to material cost content is something that this business has lived with for 140 years. So I would tell you that there is some organizational legacy here that understands how to buy cost effectively and how to otherwise optimize. And I would tell you that the team is very focused on it. But plainly, the cost increase that we have seen on the balance sheet is about $1 million. And that's because of the effective and efficient manner in which and how we buy steel. So Dave, why don't you talk a little bit more about how that cascades in the organization?

<A – David Rice>: Yes. And I can't give you a number assumption other than we use sort of the average Q4 rate to budget. But the other side of your question in terms of because we don't have built-in escalators, it's important to understand that we are not a high volume OE supplier. We don't have contract that looks like that. We have flexibility to negotiate with our buyers across most of the channels. And Mark already mentioned, the one that's sort of the longest tentpole is usually retail, not the OES channel that makes up most of our OE segment. So OES, OEM and aftermarket are simply negotiation. As is retail, but it's just a little bit longer of a process than usually, times such that you know you are going to go in for align with you anyway. You just have to kind of give your best in a row before you do that. So there is no contractual prohibition anywhere in our sales channel that prevents us from reacting to changing input costs.

<Q – David Cam>: Got it. And then when I look at Q4, Q4 to Q4 margin numbers, put up by Asia-Pac, Europe as well as Horizon America, it looks like on the adjusted operating profit margin levels, all three regions are reporting down or I guess, Horizon Europe-Africa is more flattish, can you sort of bridge us to what may have occurred in the quarter?

<A – David Rice>: Yes. There were mainly stories from 2015. So in 2015, you remember that was our first 10-K and we had the opportunity to do some cleanup from legacy reserves that were setup on our books, that benefited our 2015 specifically in the Americas, so that – the reserves that were reserved in Q4 of 2015 are the sole driver of the change in the Americas. And Asia-Pacific, we had a one-time recovery with a customer of some tooling costs, that came through in Q4, that there is the sole driver for the change. So that was around $1 million in Asia-Pacific. So it's nothing in terms of the activities of the business in '16 versus '15, it was really clean-up of the balance sheet in the Americas and this one-time claim that we got settled with an OE customer in Asia-Pacific last year in '15.

<Q – David Cam>: On Horizon Europe and Africa, if you have you strip out Westfalia and the figures it seems like the core business from a margin perspective declined, is there some sort of similar kind of reversal there too?

<A – David Rice>: No. That's just a much more sensitive business, collection of businesses from volume, because they are all small. So I talked about, we had a little bit of an OE headwind that affected our German plan and given the size of the plant they just weren't able to fully flex to deal with the in quarter change in volume.

<A – Mark Zeffiro>: Same is true in South Africa.

<A – David Rice>: Absolutely. So, that's really why we have talked about the need to have scale in Europe is because we just simply couldn't react fast enough to these little changes in demand.

<A – Mark Zeffiro>: Yes, I will leave it there.

<Q – David Cam>: Great.

<A – David Rice>: But yes, nothing unusual, it's just the way a small business reacts I guess is the only way to put it historically. That problem should have gone away at this point.

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

Mark Zeffiro, President and Chief Executive Officer

2016, what a year, we gave guidance at the beginning of the year only being six months old. The teams were able to rally, deliver and accelerate performance. I would tell you, it's almost like a proud papa speaking here in the context of everything that this team has accomplished. What is even more exciting is what's ahead of us for 2017. I want to thank everybody for all of their efforts and their attention to everything that is relevant to Horizon Global and all of your focus for us. So with that, we will disconnect. Thank you very much everyone.

Operator: Thank you for participating in the Horizon Global fourth quarter 2016 conference call. You may now disconnect your lines and have a wonderful day.