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PARTICIPANTS

Corporate Participants

Christi Cowdin – Director - Corporate Communications and Investor Relations, Horizon Global Corp.
A. Mark Zeffiro – President & Chief Executive Officer, Horizon Global Corp.
David G. Rice – Chief Financial Officer, Horizon Global Corp.

Other Participants

Matt Koranda – Analyst, ROTH Capital Partners, LLC
Gerrick L. Johnson – Analyst, BMO Capital Markets (United States)
Matthew Gall – Analyst, Barrington Research Associates, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to Horizon Global's Third Quarter 2017 Conference Call. My name is, Lorie, and I will be your operator for today's call. All participants will be in a listen-only mode until we reach the question-and-answer session of the conference call. This call is being recorded at the request of Horizon Global. If anyone has any objections, you may disconnect at any time.

I will now like to introduce Ms. Christi Cowdin, Director of Corporate Communications and Investor Relations for Horizon Global. Ms. Cowdin, you may proceed.

Christi Cowdin, Director - Corporate Communications and Investor Relations, Horizon Global Corp.

Thank you, Lorie. Good morning, everyone, and welcome to our third quarter 2017 conference call and webcast. On the call today are Mark Zeffiro, President and CEO of Horizon Global and also David Rice, our Chief Financial Officer.

Earlier this morning, we announced our third quarter 2017 results. The release is available on many news sites as well as in the Investor Relations section of our website of www.horizonglobal.com.

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 statement. These statements are subject to risks and uncertainties that could cause our actual results to differ materially from the forward-looking statement. 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 disclosures. These disclosures are reconciled to GAAP in the appendices for quarterly press release and presentation; both of which are available in the Investor Relations section of our website at www.horizonglobal.com.

With all of that being said, I would now like to 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, Christi, and good morning, everyone. Thank you for joining us.

Our execution delivered third quarter financial results in line with our guidance. Before I discuss our company's performance, I'd like to start off on slide 5, by sharing the vision, mission and values that guide got our global firm of nearly 4,700 employees.

Importantly, we've transformed our vision to empowering people to live, work and play. Clear recognition of our companies products which are designed to meet the wants and needs of consumers in multiple aspects of their lives; whether working on a farm or at a building site or enjoying a weekend around the campfire or on the water, Horizon Global products are engineered to perform and delight the end-user. We do this through our defined mission of engaging and interacting with our employees, shareholders and end-users as well as a defined set of core values that guide our interactions and efforts as a company.

Further to our vision, mission, and values, we also employ our Horizon Global Business System as outlined on slide 6. The Horizon Global Business System is being rolled out and at all 67 Horizon Global facilities and provides a blueprint for execution through our people, process and strategy. The Horizon Business System also guides our interactions with our global customers, partners and suppliers. We're proud of the foundation we have built as a company and we are focused on ensuring that we execute, which is a great segue to discuss our quarterly results.

Slide 7 touches on the trends we are seeing in the industry and our business. OE globalization continues and this trend mirrors our own company growth. Our OE business grew in every region and remains on a trajectory for future growth. Doing business with global OEs as a combination of TriMotive and Westfalia is powerful on both global and regional levels and sets us apart in the eyes of our customers.

Truck CUVs and SUVs continue to expand in category growth and share of SAAR and our business is well-positioned for this important trend. Overall U.S. retail has seen an impact due to the hurricanes with any short-term negative impact being offset by a surge in activity. Overall U.S. retail sales in September were up and rebounded from a dip in August as reported by Bloomberg.

Analysts are expecting storm-related distortion to continue for several months, but underlying demand is expected to keep growing due to the impact of steady hiring and limited inflation. For Horizon Global, we expect to see some growth post the hurricanes, but this impact is difficult to predict regarding the time or magnitude as several factors including inventory and towing and trailering needs during the rebuilding process.

The growth in the aftermarket channel in our industry slowed during the quarter as this channel continues to adjust and adapt to the e-commerce impact on the more traditional business model employed by many independent players in the space. We continue to keep a close watch on the steel price and exchange rates as they impact our cost of goods. We've instituted a wave of price increases, but these increases have not yet been fully realized in our financials. We will continue to assess the situation and may increase prices again in early 2018 if necessary.

Our 58% revenue increase during the quarter was attributable, in part, to the addition of the Westfalia business in our Europe-Africa segment, but also supported by organic sales growth in every geographic region. Our pre-tax income increased 321% and we reported adjusted diluted earnings per share of $0.38. We tightened and raised our full-year revenue guidance while we also reaffirmed our full-year EPS expectation.

If we turn to slide 8, I would like to provide an update on the team's execution against our key financial priorities during the quarter. Focusing on margins, the Westfalia integration is expected to achieve the €9 million synergy target that we previously communicated for 2017. We realized €4.1 million in Q3 to bring our year-to-date total to €7.3 million. This synergy achievement reflects impressive execution by our Europe-Africa team. We'll take a closer look at these efforts in a few moments.

Asia-Pacific had a standout quarter delivering 530-basis-point improvement in adjusted operating profit or 18.7% of sales. Key contributors to this margin expansion, included productivity improvements in manufacturing and the focused implementation of the Horizon Global Business System. Meanwhile, the Americas dealt with a meaningful margin headwind due to increased input costs, timing of price increases, and costs associated with protecting our intellectual property.

Looking at our capital structure. Leverage improved from the second quarter to 3.6 times. Net sales were up across all three regions during the quarter. Our OE business had 11 new wins during the quarter with an approximate $31 million run rate as we continue to grow this important part of our business across all geographies. Most notably, the Americas team secured an award with a leading OE to integrate Horizon Global's next-generation trailer electronics module. The combination of lighting and braking module represents a cost savings for our OE customer and provides additional space behind the dashboard. The new electronics module will bring significant technical improvements over our current systems and provides for future technological expansion that can integrate our company's existing sensing technologies as well as other advanced add-ons. This award represents a very significant award to the OE team.

This also marks our third consecutive quarter posting double-digit organic sales growth in Asia-Pacific with continued growth through new products in the industrial channel. Growth was accelerated further due to sales associated with a bolt-on acquisition in the quarter. We are pleased with our team's efforts and progress against these three important global financial priorities and we're not taken our eye off the ball as there's still much more to achieve.

I'd like to provide an update on the progress made on our margin dashboard during the quarter on slide 9. We announced our plans for consolidating distribution in the new Kansas City facility during the last quarterly conference call and the team is excited about the real benefits we expect to see from this effort.

The new Kansas City DC will serve as Horizon Americas' primary distribution hub for the aftermarket and retail channels. We are in the process of transitioning certain inventory and we'll begin the first phase of shipments from Kansas City in November. This move will align and optimize our freight and distribution efforts in the Americas and is expected to begin generating cost savings during the first half of 2018 with an anticipated full-year run rate savings between $5 million and $7 million for 2019. Our efforts to reduce the supply base by 20% during the quarter continued and we expect to achieve that stated goal by the end of 2018. As a growing organization, we are focused on simplifying our business and leveraging our full buying power. The sourcing team remains hard at work to reap these benefits including meaningful cost reductions.

Today, the SEMA Show opens in Las Vegas and is the premier automotive specialty products tradeshow event in the world. Over the next several days, we'll meet with key customers, introduce new products and highlight the innovation efforts of our product development and engineering teams around the globe. We are also focused on additional ways we can leverage our product development and engineering expertise as evidenced by the industrial product sales in Horizon Asia-Pacific and the new product wins in OE.

I spoke about the Horizon Business System at the start of my remarks. We've rolled this system out globally and have created a global quality council to support our team's efforts and ensure that we are providing our customers with the consistency and performance they expect from Horizon Global in our brands.

Slide 10, this is a new slide, highlights the impressive efforts towards delivering the €9 million in synergies by our Europe-Africa team. This slide demonstrates the five key work streams including aligning the organization and improving productivity. The graphic on the left quantifies the progress of each work stream towards reaching our synergy target for the year and where we're seeing the most benefit.

It should be noted that the management team is focused on change management throughout our European operations and that the entire team in Europe is aligned and dedicated to achieving our goals. This team is still working through our 2018 synergies, but we expect to at least double our 2017 achieved synergies by the end of 2018. We'll share more details regarding that expectation when we provide detailed 2018 guidance during our Q4 and year-end 2000 (sic) [2017] earnings conference call.

I would like to now turn the call over to Dave Rice, our CFO, who will provide additional insight into the company's third quarter 2017 performance. After Dave's comments, I'll share some final thoughts in this Q4 and full-year guidance. Dave?

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

Thanks, 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 referred to adjusted diluted earnings per share attributable to Horizon Global, excluding special items. Cash flow and balance sheet commentary will be on as reported U.S. GAAP basis.

With that, please turn to slide 12 for a summary of our third quarter results. Net sales increased over 58% compared to the third quarter of 2016, supported by growth in every region. This increase was primarily attributable to Westfalia as well as double-digit growth in Asia-Pacific and strong performance in our e-commerce, OE and aftermarket channels in the Americas segment.

Operating profit in the quarter increased $5.1 million or 43% to $17 million from $11.9 million in the third quarter of 2016. Operating profit benefited from both sales leverage and the effective margin improvement projects we have completed. Operating profit margin declined to 7.1% of sales from 7.8% in 2016, primarily on the shift in concentration of net sales from higher margin segments to lower margin Europe-Africa segment and increased input costs ahead of price realization in the Americas.

Net income increased nearly 70% to $10 million from $6 million in the prior year. Earnings per share in Q3 were $0.38 cents as compared to $0.30 cents in 2016, an increase of 26.7%. The primary drivers of this increase are improved operating profit and income earned in jurisdictions with lower statutory tax rates.

EPS for the current quarter also reflects the increased number of shares outstanding as compared to the prior year. Through the first nine months of the year, we have used cash of $2.3 million for operating activities, compared to the $27.5 million of cash provided at the same point in 2016. This use of cash relates to higher working capital levels, driven by increased sales in the third quarter of 2017 versus 2016 in all of our segments as well as the timing of those sales within the quarter, and a conscious investment in inventory, primarily in the Americas segment.

Total debt increased to $279.2 million compared to $190.6 million with net leverage ratio rising compared to last year. Our total debt in net leverage ratio reflect the acquisition of Westfalia as well as our recapitalization efforts during the first half of 2017.

On slide 13, I'll go to through the performance of Horizon Americas. Third quarter net sales in our Americas segment increased $4.7 million driven by a strong performance in our automotive, OE, e-commerce and aftermarket channels. The automotive OE channel experienced higher volumes in brake controls and heavy-duty products, while e-commerce continues to show solid growth that we believe will continue as consumer habits further evolve. The aftermarket channels benefited from increased sales to warehouse distributors supported, in part, by a healthy RV industry. Although we saw strength in pockets in retail, the channel remained relatively flat as lower volume with mass merchant customers more than offset strength in our farm and fleet and auto retail customers.

Operating profit decreased $1.8 million to $11.7 million from $13.5 million in the third quarter of 2016. The decline in operating profit was largely the result of higher input costs, including commodity and freight costs. Operating profit margin declined to 10.1% of net sales, compared to 12.2% in the same quarter last year. In addition to the impact of higher input costs, operating profit margin was negatively impacted by increased costs associated with protecting our intellectual property. While announced price actions became effective during the quarter, the full impact of these increases were not realized in Q3. Combined, these factors more than offset cost savings realized from the consolidation of manufacturing facilities.

The fundamentals of the Americas market are strong and the team remains focused on executing strategic projects, such as the Kansas City distribution facility and the conversion of the Reynosa paintline, while maintaining the delivery of innovative products. In addition, the Americas team continues to respond to changes in our sales channels and provide the commercial support expected by both new and existing customers.

Performance of Horizon Europe-Africa is highlighted on page 14. Net sales in our Europe-Africa segment increased approximately $75 million, largely due to the acquisition of Westfalia. This segment continues to experience organic revenue growth driven by double-digit gains in the OE channel, partially offset by weakness in the aftermarket channel. Operating profit for Europe-Africa increased to $4 million as the business recognized €4.1 million or about $4.8 million in integration synergies in the quarter, as Mark has already presented.

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As a reminder, these synergies reflect in our net of investments made in the business from a leadership and governance perspective.

Operating profit margin for the segment was 4.5% of sales, an increase of 260 basis points. We expect to continuing integration in Europe to transform our business in that region and to drive higher margins in future periods. The integration of the Europe-Africa business in realization of related synergy products remain the primary focus for the team, in addition for launching new OE programs. Further, the Europe-Africa team continues to refine its strategy in the aftermarket channel to strengthen its position and gain share.

Performance of Horizon Asia-Pacific is highlighted on page 15. Net sales on a constant currency basis, increased 27.2% primarily due to a regional bolt-on acquisition completed early in the quarter, and the benefit of introducing a new product to a new customer in the industrial channel.

Net sales in that channel increased $2.5 million compared to the third quarter of 2016. Operating profit increased $3.1 million to $6.9 million compared to $3.8 million in the same quarter of 2016. Operating profit margin improved 530 basis points to 18.7% of net sales compared to 13.4% in the third quarter of 2016.

This increased risk was the result of cost leverage and higher volumes and the realization of benefits from previously implemented productivity and restructuring initiatives. The Asia-Pacific team remains focused on launching new programs and continue to identify productivity opportunities.

Additionally, the team is committed to successfully integrating its recent bolt-on acquisition and developing and implementing commercial strategy for China.

Slide 16 is a view of our leverage and liquidity. Our total debt at the end of the third quarter was $279.2 million, slightly down from the second quarter. The trends you see in our leverage ratio reflects the improvement in our profitability and the seasonality of our business.

Note that we have modified the presentation of our leverage ratio in the current quarter. In prior periods, we have presented the ratio using the U.S. GAAP definition of debt with respect to our convertible notes. All periods presented on this page reflect the U.S. GAAP exception provided for in our credit agreement, treating the portion of convertible notes reflected as equity on our balance sheet as debt for purposes of measuring leverage. We believe this provides our investors and lenders a clearer view of our total leverage position. We expect to see continued de-levering through the end of the year consistent with our historical business trend.

With respect to working capital, the timing of increased sales in the quarter have led to a higher receivable balance than we have seen historically at this point in the year. This, coupled with an inventory build to support projects being completed in the fourth quarter and the decision to carry additional inventory of our highest volume products within the Americas, kept working capital flat with the second quarter.

Cash on hand decreased $19.1 million to $20.5 million from $39.6 million in the second quarter and net facility borrowing remained flat with the second quarter at $20 million. The previously mentioned bolt-on acquisition in Asia-Pacific completed in the third quarter for $19.8 million was the primary factor for this decrease. Debt incurred in connection with the closing of that transaction at the beginning of the quarter was completely extinguished with cash on book and generated by the operations of our Asia-Pacific business. Cash was also used for the repurchase of approximately 116,000 shares of our common stock under our previously announced share buyback program at a cost of $1.6 million in the quarter.

In total, we have purchased 686,000 shares of common stock under the program at a total cost of $10 million. The $117.5 million of availability at the end of Q3 continues to provide adequate flexibility to execute our strategic initiatives.

In closing, I'd like to leave you with a couple of takeaways from our financial performance in Q3. First, the performance of all of our regional teams reflect decisions intended to enhance the shareholder value of Horizon. While the Americas faced margin headwinds in the third quarter, the team continues to execute their strategic initiatives to improve the commercial and operational outcomes of the business. Our international regions improved significantly year-on-year, both in the quarter and on a year-to-date basis.

Second, while the timing of increased sales has led to higher working capital levels than historically experienced at this point in the year, we expect a normal conversion of working capital to cash to occur in the fourth quarter, which will further de-lever the business. We continue to focus on creating value for shareholders to improve the operating performance while de-levering the business.

If you'll turn to slide 17, Mark will take over and cover our long-term goals, discuss our fourth quarter and full-year guidance as well as wrap up our prepared remarks. Mark?

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

Thanks, Dave. If everyone could please turn to slide 18, you'll see the strategic goals our global team refers to daily and those we strive as one team to achieve.

If you turn to slide 19, we've included on the left hand side of this slide a snapshot of how our Q3 results compare to our guidance. I would like also to review our expectations for the fourth quarter which, as a reminder, is our lowest historical contributor to earnings. Please be reminded that this is the foundation setting year for the business with the addition of Westfalia. We are providing quarterly guidance, so investors and analysts will have additional insight into the expected cadence of our business.

As such, we expect fourth quarter 2017 consolidated revenue to range from $200 million to $215 million, fourth quarter 2017 adjusted earnings per share to range from $0.04 plus or minus of breakeven. Our full-year guidance remains consistent with prior-year guidance reflecting an increase in the range of our revenue growth, and an adjusted earnings per share expected to come in around the midpoint of our range.

Turn to slide 20, please. Again, we're all pleased that all of our geographic regions achieved organic revenue growth during the third quarter. Our business model is balanced in such a way that any challenge in a particular channel, customer-centered geography is likely to be offset by strong performance somewhere else in the business, but it is particularly gratifying when we can point to a positive result across all geographies.

Our margin performance in Asia-Pacific was outstanding. We had a strong result in Europe and Africa and the Westfalia synergies are expected to deliver benefits in line with the communicated expectations. We continue to demonstrate progress against our key financial priorities and the team is making headway against our goals for 2018 and beyond.

The commitment of our global team is unwavering and we remain focused on delivering shareholder value as we continue to build our global business. We're nearing the end of our planning process for 2018 and we see a bright future ahead for the team and the business. We look forward to sharing our detailed 2018 outlook on our fourth quarter and full-year conference call.

Now, I'd like to turn it back over to the operator who will 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. Thanks for taking the question.

<A – Mark Zeffiro – Horizon Global Corp.>: Good morning, Matt.

<A – Dave Rice – Horizon Global Corp.>: Good morning Matt.

<Q – Matt Koranda – ROTH Capital Partners, LLC>: I just wanted to start off with North America and sort of the margin pressure that you guys highlighted there during the quarter. So is it possible to kind of break out for us how much of that pressure was due to essentially commodity input pricing like steel versus freight, versus the IP protection efforts? You guys cited a number of things, so I wanted to kind of glean it up and see if we could get it in kind of neat buckets?

<A – Dave Rice – Horizon Global Corp.>: Sure, Matt. I would say of the dollar value that you could ascribe to that decrease, about two-thirds of it is input cost related and the balance is of cost to protect our IP. And within the material costs or within the input cost about 75% of it is steel. The balance is freight which really relates to a freight carrier going out of business in the quarter, which took both containers and slots out of circulation, so the cost of all of our containers and then the price to put them on ships increased. That's the other 25% of the input cost change.

<Q – Matt Koranda – ROTH Capital Partners, LLC>: Okay. So is it safe to assume that that other 25% of the change, I guess is, is dealt with now? Or there are other steps you need to take to kind of change over some of the freight cost that you guys have experienced here?

<A – Dave Rice – Horizon Global Corp.>: Well, in terms of getting products into the country, yes, it's been dealt with. As Mark pointed out, so we'll continue to keep an eye on input costs and if this becomes more of a longer-term trend, we'll take actions in Q1 of 2018 from pricing perspective.

<Q – Matt Koranda – ROTH Capital Partners, LLC>: Okay. So, the pricing action in Q1 would mainly be to combat freight input cost increases, because I would assume just looking at kind of six months ago steel price indices, the Q3 would have been the peak of the headwinds from steel input pricing or could you comment a little bit about how the steel input price sort of impacted you in Q3 and has it abated a bit as we head into Q4?

<A – Dave Rice – Horizon Global Corp.>: I would say that it actually abated a bit towards the end of Q2 and it was basically flat through Q3. Our high point, in terms of hot rolled was really the end of Q1, beginning of Q2; and then there's obviously delay in terms of how those costs run through our income statement. But you're right in saying while prices for steel are up right now relative to where they were as we exited 2016, they're basically flat with where they were at the beginning of the year. So, all things being equal, our pricing actions to-date should cover the material costs that we've seen. Freight is a new thing and we'll continue to watch steel as it moves through time.

<A – Mark Zeffiro – Horizon Global Corp.>: The other the other part of that Matt, this is Mark, I'd like to add to it is if you look at exchange rates, specifically RMB compared to U.S. dollar, there are significant changes in the last period of time that's affecting our inbound purchased goods costs as well. So it's not just steel, I think steel has flattened out for us and we've dealt with that from a pricing perspective.

The transportation side of it will continue to optimize as we deal with dislocation by a carrier out of business. But that's just a temporary issue and quite frankly as you shift, you don't necessarily have the ability to shift at the lowest cost provider. So, I think that that will harmonize naturally here. The broader question and most immediate question will be is the implications associated with exchange rate and whether or not that precipitates a need for another price increase.

<Q – Matt Koranda – ROTH Capital Partners, LLC>: Okay. Very helpful guys. In terms of the revenue guide for Q4, it looks a little higher than I would have expected. So, I assume you guys have good visibility into the quarter here. Could you help us understand what's driving that sort of higher growth rate heading into Q4 and then how sustainable is that as we head into 2018?

<A – Mark Zeffiro – Horizon Global Corp.>: Where we're seeing real growth is continued OE volume increases and that's really what's driving the higher overall volume in the period. Across the globe, each region has seen sizable increases in its OE volumes through share take, new projects, new wins, but also just good dynamics in terms of the conversion of sedans to SUVs, CUVs in that dynamic. So Matt, the largest impact here is that, plus also the addition of the Best Bars acquisition in Asia-Pacific, which is circa $5 million add for the quarter, so those are the major pieces. There's one last thing I wanted to add to your last question, Matt, if I could and that is realized that hot rolled steel, the index that we feel here in terms of the input costs for manufacturing in North America is real and it's abated. Those dynamics still are seeing pressure in China for the Chinese manufacturing supply base. So, we're still working our way through that as well, so it's a matter of as the global view towards hot rolled steel and input cost change, we'll see that continue to abate. But again I think, in large, part the North American dynamic here is otherwise been dealt with. The real issue is our input cost from China at this point in time.

<Q – Matt Koranda – ROTH Capital Partners, LLC>: Okay. That's helpful. And maybe just one more from me. Mark, I think in your prepared remarks, you alluded to sort of the expectation, that you can double achieve 2017 synergies by the end of 2018. So I just want to make sure I understood that correctly. If you achieve the €9 million target, does that mean you get another €9 million next year, is that sort of what you were alluding to or is that something different than that?

<A – Mark Zeffiro – Horizon Global Corp.>: No you're precisely on there, Matt. And not if, I say – I would say when we achieve the €9 million in 2017, we expect that we'll achieve another €9 million incremental to that as we go into 2018.

<Q – Matt Koranda – ROTH Capital Partners, LLC>: And then I'll sneak one last one follow-up and here on that though; in terms of the slide 10, that was a helpful slide, where you guys kind of break out the five buckets in terms of work streams. Maybe could you walk us through kind of roughly where you see those work streams contributing to the potentially €9 million in synergies in 2018?

<A – Mark Zeffiro – Horizon Global Corp.>: We're not prepared to do that because as projects move forward and back, we'll give you the results and the outcomes. As we enter 2018, we're probably going to give you the goals for those different streams for 2018, but at this point, Matt, we're not prepared to do that.

<Q – Matt Koranda – ROTH Capital Partners, LLC>: Okay. Fair enough, guys. I'll return back in queue. Thanks.

Operator: [Operator Instructions] Your next question comes from the line of Gerrick Johnson of BMO Capital Markets.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Hey, good morning. So on the second quarter, you guys said price increases in third quarter would offset your input price increases you're seeing then. Now in your release, you said that higher materials costs impacted your margin ahead of pricing actions. So were those pricing actions delayed?

<A – Dave Rice – Horizon Global Corp.>: It's really a question by customer of the notification period we have to give and then obviously how those customers order. So, the comments made at the end of Q2 were appropriate. I think on the day we released earnings that was the day that the pricing actions along much of the customer base were supposed to take effect. But some of our larger distribution customers have a longer waiting period and just the pattern of ordering resulted in a delay and recovery within the quarter. So, it's not a delay in terms of initiating the price increases, it's really how they flow through the income statement.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Okay. So you are able to get those price increases through having no trouble there?

<A – Mark Zeffiro – Horizon Global Corp.>: Gerrick it's never easy a price increase. I would do the sales and marketing team a disservice by saying, yeah, we can just flop a price increase in place. It's obviously a negotiation and we try to be as thoughtful as we can with respect to our competitive position, but also obviously making sure that we haven't disproportionately hurt any individual customer or channel or business. So, it's a – which implemented which is a good thing. It takes a lot of effort by the sales and marketing team to be able to do such. And I'm pleased with the first round, but I do anticipate that there's a wave of cost actions that will be coming out of China that we're going to have to deal with.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Okay. And kind of implied in your guide after the third quarter, it shows sales basically going up to about $209 million in midpoint, $210 million and your prior implied guidance is about $163 million. So big – your 28% increase in implied fourth quarter revenue yet your adjusted EPS doesn't changed. So it looks like you're still having significant margin impact in the fourth quarter. So, can you talk about that?

<A – Dave Rice – Horizon Global Corp.>: Yeah, absolutely. So the dollar value of operating profit wasn't expected to change and really a couple of things are driving that. The two biggest; we had more currency translation pressure in Q3, than we've seen all year. So, more than two-thirds of the impact of translation happened in the year driving sales up, but basically zeroing out the operating income line, as we have cost in the same currency as we have sales in most regions. That's part of it. The other one really is, as Mark talked about, the growth in the OE channel specifically. But if you look at how we earn sales across the world, the disproportionate shift to Europe from the Americas, and then the disproportionate shift to OE from aftermarket is also having another negative impact on the conversion of those sales.

Now, that's a temporary thing. We certainly are glad that we have those sales, but they're going into a region that we're impacting right now by cost takeouts and integration. So, the return on those sales will be better as we go forward, but right now they lever us down a bit.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Just the mix of overall balance of business?

<A – Dave Rice – Horizon Global Corp.>: That's right.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Okay, and to be greedy here, I'll try to throw one more and then I'll get back in queue. The hurricane impact – the inhabitability to ship. How exactly did it impact retail? Can we get a little bit more specifics on what happened with the hurricane and how we expect to recover whatever we lost from the hurricane? Thank you.

<A – Mark Zeffiro – Horizon Global Corp.>: Yeah, Gerrick, that's a great question. Thank you for asking it. When you look at the two areas of the country, first and foremost obviously all of our thoughts and prayers go out to all those families in regions of the country that have been impacted by those hurricanes as they are still recovering and still dealing with the tragedy that they felt. What we felt though, for us, was in the context of our business, our facilities, our structure – no damage, no loss in our structure, so that's was a tremendous outcome for us individually as a company. What's happened though it dislocated demand and our ability to shift within the period. So what does that feel like? What that felt, look like is the two regions were circa about $100,000 a day for the combined shipping to those particular sets of customers. It's hard to quantify. Some days, we actually got good shipments out and other days we got nothing for three days. So the dislocation obviously circa of two weeks' worth of activity really starts to point to the kind of shape and size that we otherwise felt.

My view though, Gerrick, is that this is going to be a demand driver for us for a replacement product and the ability to actually participate in the reconstruction and the rebuilding process as people are otherwise doing construction-related activities, which drives natural demand in our product set, but also as the people just replace their vehicles. And in my commentary I made mentioned of the fact that there is expected growth as a result of that. And while we'd love to be able to put a specific number on it, I think it's a bit premature to be able to do that.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Understood. We lived through Sandy here five years ago. I saw it firsthand, but so – so the dislocation and your ability to ship; you said $100,000 a day for two weeks, so maybe five shipping days a week, so is that about $1 million?

<A – Mark Zeffiro – Horizon Global Corp.>: A little more than that. Because we also ship through Saturdays and it's plus or minus, and it's about two weeks' worth of shipment. So it's about six shipping days a week and two weeks' worth of shipments, plus or minus.

<A – Dave Rice – Horizon Global Corp.>: $1 million, $1.5 million – kind of the range we're talking about.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Got it. Great. Thank you.

<A – Mark Zeffiro – Horizon Global Corp.>: You bet.

Operator: [Operator Instructions] Your next question comes from the line of Matthew Gall of Barrington Research.

<Q – Matthew Gall – Barrington Research Associates, Inc.>: Hi. Good morning. Thanks, Mark; thanks, Dave for taking my question. Gerrick kind of followed up on some of the impact of the hurricane and the tropical season here in the Gulf Coast, so I appreciate the clarity there. But one thing I did hear you guys talk about, and just kind of want to touch on is one of the wins you had in the Americas region as far as kind of the trailer, electronics and the module that you have moving forward. Kind of – what's the differentiator of that product that allows you to get that win and how do you see that moving forward, obviously early stages, but [indiscernible] (40:21) there?

<A – Mark Zeffiro – Horizon Global Corp.>: Yeah, this is a really – this is an exciting win for us. What we provided to our OE customer in this context was the combination of a control module that deals with braking and lighting. Today, behind the dashboard, they would have two boxes, if you will, behind the dashboard of approximately equal size. We will replace that box with, and just bear with me on the physical discussion for a second, then we'll talk about the technological for a second. We combined it into a single module, and there's IP that comes along with that related implementation. So what they gain as an OE is they don't have to buy the second module. We obviously earn a new line of business for us that being lighting control module in the process, which is obviously a nice add to our business.

We've dislocated a competitor in that respect. And in the process, we've added our next generation technology in terms of the ability to deal with trailer control in the next iteration with obviously intellectual property surrounding that.

So this is a big deal for our customer, it's a sizable cost save for them and it is a sizable improvement in terms of the technological improvement as well. I'd tell you the engineering team did a tremendous job here and we are very thankful that that they spent the time thinking this one all the way through with IP that ties this whole thing up. So we look forward to seeing this become more of a standard across maybe other customers over time. And we will obviously make efforts to not just have this in one particular line-up for this customer, but be able to take it across a broader offering as well. So this is a tremendous opportunity for us and contributes sizably here over the next few years.

<Q – Matthew Gall – Barrington Research Associates, Inc.>: Now that sounds great. Thank you.

<A – Mark Zeffiro – Horizon Global Corp.>: Absolutely.

Operator: Our next question is a follow-up from Gerrick Johnson of BMO Capital Markets.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Great. Thank you. First of all, in your release, it says GAAP EPS guidance is $0.50 to $0.60 unchanged; but as the second quarter, it was $0.54 to $0.64, so is that just a typo?

<A – Dave Rice – Horizon Global Corp.>: Sorry, what are you referring to now? Diluted earnings?

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Sorry, GAAP EPS guidance $0.50 to $0.60. The release calls it out it was unchanged, but last quarter you said it will be $0.54 to $0.64.

<A – Dave Rice – Horizon Global Corp.>: That is a typo.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Yeah. Okay. All right. Next question, your ERP system, all the glitches worked out of that?

<A – Mark Zeffiro – Horizon Global Corp.>: All tied down, all done with the opportunities now. We're shifting those resources to work on e-commerce-related activities and other related business process automation activities so making our way through that whole process together.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Okay. And last quarter you mentioned that there was an impact of a shift in customer ordering adjustment time that reduced deliveries in retail and would ship them in the third quarter yet retail didn't look all that stronger, so can you talk about that?

<A – Mark Zeffiro – Horizon Global Corp.>: Retail demand, again I think we're seeing winners and losers in this space. We're seeing winners with good [indiscernible] (44:08) good POS with good growth and that dynamic remains stable and quite frankly it's based upon their ability to execute in market, so that's been going as expected. And quite frankly as certain of these customers have digested either their own e-commerce-related business or are dealing with those eventualities. We're seeing if the order patterns that are little bit more choppy then you would expect, and then, as such, you've got the predictability of those orders are a little less certain.

We see customers taking a day off versus otherwise their normal ordering patterns. So we're trying to make sure that we've got the right inventory at the right time for the customers to be able to meet their delivery cycle requirements, and that's what the team in the Americas is focused on in terms of the increase in inventory in high runners, so that's what we're seeing, Gerrick.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Okay. Understood. And then the cost associated with protecting the IP, what's going on there and are those excluded from your adjusted earnings or are they still in there? Thank you.

<A – Dave Rice – Horizon Global Corp.>: Go ahead.

<A – Mark Zeffiro – Horizon Global Corp.>: Yeah, they are included and this is part of our ongoing focus on offering technological solutions as occasionally we come across people that we believe violate that IP and we protect it vigorously. So those costs are included in our normal operations. They're not backed out of special items.

<A – Dave Rice – Horizon Global Corp.>: Correct. And as such it really relates to the electrical side of our business portfolio. This has been a going concern, and frankly, a legal battle for in excess of a year at this point in time and we're getting hopefully to the end of it with going to arbitration here. And we believe that we're on the side of the angels with this and believe that the outcome is going to be a positive one for us in the enterprise.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Okay. And can you quantify how much that was in a quarter and if -are these costs expected to continue in future quarters?

<A – Dave Rice – Horizon Global Corp.>: Yeah. We didn't disclose that amount for a couple of reasons. But it will continue at least for one more quarter, for sure. After that, we'll have to see what happens.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Okay, great. Good luck. Thanks.

Operator: Thank you. At this time, we have no further questions. I would now like to turn the call back over to Mr. Mark Zeffiro.

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

Thank you, everyone. A good solid quarter given the eventualities and the uncertainties out in the markets. I appreciate everybody's efforts that went through to executing and delivering on our expected results. We, as a company, look forward to providing you our 2018 guidance and finishing the year strong. It's the eventuality that we have for 2018 that makes us all think that the days tomorrow are going to be brighter than the days today. Our productivity efforts are being realized and the profitability of the company is greater than it's ever been on a run rate basis, so we're excited about who we are and who we're becoming as a company. With that, we'll talk to you next quarter. Bye-bye.

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