MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen. Welcome to the Horizon Global Second Quarter 2016 Conference Call. My name is Maria, and I'll be your operator for today's call. As a reminder, today's conference is being recorded for replay purposes.

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

Maria C. Bringer Duey, Vice President-Investor Relations & Strategic

Thank you, Maria, good morning, everyone, and welcome to Horizon Global's second quarter 2016 earnings conference call and webcast. Hopefully, everyone has had a chance to review the news release issued earlier. Our second quarter earnings release and the presentation slides that we will refer to during the call are available on the Investor Relations portion of our website.

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

Today's presentation also includes non-GAAP financial measures. Any references to operating profit, earnings per share or cash flow on today's call will be as adjusted, unless otherwise noted, with the 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 on our call today are Mark Zeffiro, President and CEO of Horizon Global; and David Rice, our Chief Financial Officer.

Following our prepared remarks, the call will be opened for analyst questions. If we are unable to take your question during the call, please feel free to call me directly at 248-593-8810.

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

A – . Mark Zeffiro, Co-Chairman, President & Chief Executive Officer

Thank you, Maria. Good morning to all and thank you for joining us today. This earnings call represents an anniversary for us as we have now completed 12 months as a public company. We'll reflect on some achievements as well as highlight current performance on this call. We continued our strong start to 2016 with our team driving solid revenue growth, strong margin expansion and improvements for our capital structure in the second quarter. Our key three priorities remain directly in front of us as we execute on our strategic initiatives.

If you flip the slide four in the deck, I'd like to take a moment to look back at our first 12 months as a public company. We went live at the New York Stock Exchange on July 1, 2015 and we achieved many milestones in our first year. Thanks for entire Horizon Global team who has worked so hard to make this first year a success.

We established a shared vision, mission and priorities for the enterprise. We implemented the Horizon business system and put in place the strategic deployment process to cascade our strategics, priorities and targeted improvements to the plant's[indiscernible]. We've achieved significant cost savings through plant consolidations and restructuring while continue to gain share in several channels. We put a global OE team in place, with the focus on growing our share in that channel and the effort is producing outstanding results. And we established a corporate development function, with the defined strategy in an active funnel to grow our business through acquisition.

This represents just a few of the accomplishments, but most importantly has been the change in the cultural shift. And, this shift is really a belief in winning for the company and for our customers. This will be in front of us for years to come. Remember, it's a marathon, not a sprint, and we're headed in the right direction.

In addition to those milestones, we achieved excellent results for the period July 1, 2015 through June, 2016. We grew commercially 4% on a constant currency basis, more impressively adjusted operating profit increased over 300 basis points and net income more than doubled over the same period, proving that we don't need significant volume increases to improve margins.

In addition, we were able to take our leverage ratio down from 3.8 times at the time of spin to 3.1 times a year later through efficient working capital management and improved profitability. Our focus remains tight, creating shareholder value through execution of our key initiatives. On slide five, let's talk about some of the trends we're seeing both in our business and in our industry. Automotive OEs continue to build more global vehicles, increasing the content for our types of products and providing the opportunity for growth. We had an outstanding quarter in OE growth, which I will talk about a little later.

The distributor consolidation we experienced in 2015 appears to have stabilized with our aftermarket distributors growing and gaining share.

The past few months have shown consumer confidence and GDP weaker than we expected. Our retail sales which considered – I consider above weather have also trended down particularly due to less consumer spending, but also on the back of a very strong Q1. Inventory at retailers remains healthy as a reference point though.

In addition, we're seeing some early signs of commodity inflation, most notably upward pressure on steel prices. That being said, we had strong performance in the second quarter. Our team continues to focus on the execution of our three priorities. Net sales increased 7.1% on a constant currency basis, supported by continued OE growth on a global basis. The strength of our e-commerce efforts and the improved aftermarket sales. Operating profit more than doubled in the quarter. This is the fourth consecutive quarter of profit improvement and I'm proud of our efforts as a team to deliver this result.

Adjusted segment operating margin improved 400 basis points to 13%, as the benefits of our margin initiatives including the closure of Juarez operations are taking hold. In our first 12 months as a public company, we experienced margin expansion in every quarter, providing further evidence that the actions we've taken and the plans we have in place are driving margin improvement. And all of the profit improvement is driving of course EPS, which was $0.64 on an adjusted basis, up over a 100% for the second quarter.

Turn to page six please, our three financial priorities remain consistent. Improved margins 10% and 10% as I say at a segment level than enterprise; improved capital structure to less than two times lever; and drive sales growth organically 3% to 5%. This page includes a few of the initiatives that support our financial priorities and that we believe will deliver enhanced shareholder value.

On slide seven, you'll see how we executed against those priorities in Q2. We deliver an adjusted segment operating margin of 13% and improvement of 400 basis points in the second quarter. Productivity continues to improve in North America as we completed the consolidation of Reynosa facility in May. We're still optimizing production and finalizing the sourcing efforts, further products are being transition to our production partners, which we expect to provide margin growth later on this year. We're also focused on improving the company's capital structure. We ended Q2 with leverage of 3.1 times down from 3.8 times one year ago, reflecting our focus on improving profitability and reducing debt. Our operating cash flow improved $14.3 million year-to-date. And we ended up the quarter with $31 million of cash on book. We still maintain our leverage goal of approximately two times.

We posted 7.1% growth on a constant currency basis in the second quarter of the year. Our Horizon North American aftermarket performance improved in the quarter turning positive as distributor consolidation stabilized. Our global OE business experienced strong growth in the quarter with 19 new wins, which represent over $7 million on a full run rate basis.

This is new incremental not replacement business, which I might add has also been growing. This continues the success, we've seen over our first year with 47 new programs representing approximately $32 million in new award volume for Horizon. The OE team we put in place is doing a fantastic job of getting new business at margins we like, and I want to thank them for their efforts.

Our e-commerce business continues to experience strong growth, with sales up nearly 40% in the quarter. As user focused rebates and our recognized brands drove growth for us in these customers. Regarding retail, we experienced some softening in the channel slowing the growth we experienced in Q1. We're pleased with our continued progress in all three of our financial priorities with our results demonstrating that organizational focus and alignment results in business improvement.

Moving on to slide eight. This chart should be familiar to many of you. It highlights our progress on programs we are executing to deliver margin improvement. This quarter, we finished the Juarez closure and consolidated production at Reynosa. The consolidation of North American continues with ERP implementation on track to be finalized by the end of the year. We'll kickoff distribution study in 2017 to determine our optimal footprint in North America. South Africa showing improvement over the last quarter as our new facility becomes optimized. In addition, we've just closed the acquisition of a small bolt-on for South African business that will increase our scale and integrate new productive assets for low cost manufacturing. Solar demand in the UK and Brazil pressured margins with the teams' flexing cost structures locally.

The brand consolidation effort is beginning to have an impact initially as we freed up engineers to work on higher value added activities. To-date we have eliminated three brands and are in the process of selecting the next group for consolidation. We are already seeing the benefits of the first few eliminations as we streamline manufacturing, simplify brand-specific packaging, and continue to serve our customers with high-quality branded products. As an example, our North American team has reduced our product launch cycle by 34% resulting in significant improvement in our first market hitches.

We added product innovation to the margin dashboard last quarter as we focused on building a robust multigenerational product plan that looks at new product introductions several years ahead. Our product innovation efforts are ramping up as we improve on our cycle time to market through custom fitments. As we discussed in the past, we believe these efforts will add margin to our business through better engineering and product leadership engagement. We'll continue to add additional programs over time as completed programs come off the dashboard and just become part of our daily operating business culture. In total, we're on track with most of these initiatives to deliver margin improvement in 2016 and beyond.

With that, please turn to slide nine, I'll turn it over to Dave Rice, our CFO, who will go through a deeper look into our financial performance for the quarter, then I'll be back to wrap up and share our outlook for the balance of 2016. Dave?

David G. Rice, CFO, Principal Financial & Accounting Officer

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. Cash flow and balance sheet commentary will be on an as reported U.S. GAAP basis.

With that, please turn to slide 10 for a summary of our second quarter results. As Mark noted in his business commentary, the second quarter reflects our fourth consecutive quarter with a significant improvement in operating margins, both at a segment and enterprise level. Net sales on a constant currency basis increased 7.1% as compared to the second quarter of 2015. If rates stabilize at current levels, we would expect currency translation to have a less significant impact on our reported results for the reminder of the year.

Segment operating profit increased more than 52% to $21.8 million. Segment and operating profit margin in the quarter was 13%, representing a 400 basis point improvement compared to the same period in 2015. This performance was the result of lower input costs, margin improvement efforts, incremental volume and a favorable product sales mix. And in the enterprise level, operating profit margin improved 380 basis point to a 10.3% compared to 6.5% in the prior year.

In the second quarter, we – we incurred corporate cost of approximately 2.7% of net sales. As a reminder corporate expenses for the second quarter of 2015 were reallocation from our former parent company. Through the first six months of the year, we've generated $7.4 million of cash from operating activities, an improvement of $14.3 million, when compared to a cash use of $6.9 million in 2015. Margin and working capital improvements drove this increase, as net income for the first six month of the year, more than doubled despite $8.3 million of incremental interest cost incurred relative to last year. Recognizes this incremental interest cost represents a $0.14 headwind at an EPS level in the quarter. In spite of this diluted adjusted EPS more than doubled versus the same period in 2015.

Total debt at the end of the quarter was $196.8 million, an increase over the prior year level of $188.7 million. If you recall the debt balance last year was incurred upon launch and that reflect funding of our ongoing activities. Our net leverage after considering $16.1 million of domestic cash stands at 3.13 times, down from 3.82 times one year ago, and consistent with our objective of de-levering the balance sheet to less than two times. This result is reflective of both the improved profitability and working capital management of our business, as well as payments made on our debt. We continue to focus on improving margins, while de-levering the business.

On slide 11, I'll go through the performance of our Horizon North America segment. Second quarter sales in our North America segment increased 8.7% compared to the same period in 2015, the result of our aftermarket channel rebounding and continued growth in our e-commerce and automotive OE channels. The aftermarket channel increased $4.7 million recovering from the impact of distributor consolidation in the second quarter of 2015 and reflecting what we believe is the closer alignment between our sales and the needs of our customers in this channel. E-commerce was up $3.5 million due to growth of our Internet partners and consumer targeted promotional activities.

Investments made in our automotive OE organization continued to deliver growth, with net sales increasing $3.5 million compared to the second quarter of 2015, as we continue to launch new programs and experienced a volume ramp-up of products launched in recent quarters.

Retail channel was down $1.3 million mainly due to softer demand from asset merchant and home hardware customers and lower product rollouts in the second quarter of last year.

The North American segment – the North America segment delivered exceptional margin expansion in the period, achieving a 470 basis point improvement over the prior year to 15.3% of net sales. This performance is comprised of favorable input cost of approximately $6 million, over half of which is attributable to material costs.

Balance of the improvement is comprised of leverage and incremental sales growth and the benefits of the integration of the North America businesses started late in the second quarter of last year.

During the quarter, the North America segment completed the closure of Juarez and El Paso operations, a major milestone in our margin improvement initiatives. The team remains focused on the continuing integration of our Horizon North America business and leveraging the investments made in our OE structure.

Performance in our Horizon International segment is highlighted on page 12. On a constant currency basis, the second quarter net sales in our International segment grew 2.7% as compared to the same period of 2015. As Mark mentioned in his comments, our team's execution of global OE strategy has continued to result in new program launches in the segment. Australia and Germany experienced growth in OE volumes, driven both by new programs and strong market conditions. Offsetting this growth, it was weaker demand in other geographies and lower sales volumes in South Africa due to labor disruptions in an automotive OE customer.

Operating profit for the international business was up 23.5% or above $460,000. Most important improvement in the segment came from productivity gains in Australia, which more than offset higher input costs in that country and purchases denominated in the U.S dollars.

The International segment will continue to focus on OE program launches across the group, while accelerating manufacturing productivity and integration activities. Managing growth in South Africa will also remain a critical focus area for the team.

Slide 13 is a view of our leverage and liquidity. As of June 30, we had approximately a $121.8 million in total liquidity made up of $31 million of cash on hand and $90.8 million of availability on our bank facilities. Our leverage ratio is up 3.1 times, representing 18.1 % reduction since our launch. Since we typically continue to generate cash to the second half of the year, we believe we are on track to report quarter-over-quarter de-levering as compared to 2015 for the remainder of the year.

In addition, the health of our working capital position has improved since the second quarter of 2015. We improved the velocity of our inventory by 15 days, which reflects more normalized customer demand patterns in distribution network efficiency. Accounts payable declined three days compared to the second quarter of 2015. There are a few things worth noting our year-over-year change in working capital.

First, working capital was reduced last year, as a result of a $9.6 million spin related tax liability on the balance sheet. Second, we've implemented a supply chain finance program to support our overseas vendors, which lowered accounts payable from the current quarter end by $2.4 million. Adjusting for these items, our working capital will reflect a decrease of $28.4 million compared to the second quarter of last year with the corresponding increase in year-to-date operating cash flow of $12 million. These items reflect improved operations and working capital management and in general, our management's ability to execute on our key financial and strategic priorities.

In closing, I would like to leave you with three takeaways from our financial performance. First, the number one financial priority of margin expansion continues to be a focus at every level of our organization backed up by specific projects that continue to read through our results. Second, we continue to see commercial opportunities across regions in which we operate, and are dedicated to capitalizing, arm them to achieve our organic growth initiatives.

And finally, cash generation, resulting from enhanced operating performance and consistent working capital management should provide us the flexibility to invest in our strategies and ultimately improve our capital structure.

If you'll turn the slide 14, I will turn it back over to Mark, who will cover our long-term goals, discuss our current year guidance and wrap up our prepared remarks. Mark?

A – . Mark Zeffiro, Co-Chairman, President & Chief Executive Officer

Thanks, Dave. We're going to move to slide 15, please, we introduced our long-term strategic goals to the investment community at the beginning of 2016. The Horizon Global team is committed to building a best in class business that supports customers and users of our products, while providing employees with the opportunity to develop and grow. The thresholds set on this page are an expression of our vision for the company, to increase profit and substantial cash flow to support continue growth, all while growing faster than the market and being an employer of choice. We feel we've positioned the business well laying the foundation to grow beyond the products and services we provide today, and expending our relevance to the market through new technologies, and adjacent opportunities.

So with that in mind, let's turn to slide 16 to discuss our outlook. We talked last quarter about the seasonality of the business, and wanted to give you historical perspective as we look at the balance of 2016. As you can see from the graph on the far left, historically our adjusted segment operating profit was overweighted to the first half of the year.

In 2015, this traditional weighting shifted due to the mechanics of the spend process and priorities of our former parent. All of those combined to achieving a higher percentage of the adjusted segment operating profit earned in the second half of the year, and resulting in a very strong Q3.

This year, we expect to perform more consistently with our historical weighting. Our full year guidance for 2016 reflects expanded margins, reduced debt levels and growth for the business. As per our guidance, please refer to slide 17. Again, guidance remains consistent from the beginning of the year as the structure of our guidance really talks to the business improvement we expect to see for the year, growth of 3% to 5% in constant currency, gaining share and winning programs along the way, segment operating profit growing more than 100 basis points, this income growth will offset our full year level of interest cost and standalone corporate costs.

We expect to convert operating cash and excess of net income. Our tax rate for planning purposes remains at 20%, but it's reduced by realized UTBs and restructuring in high tax jurisdictions. Given that, our full year tax rate is expected to be no higher than 5%.

Wrapping up on slide 18, we delivered significant profit improvement in the second quarter of 2016, and in every quarter since we launched in July 2015. While we're excited about the opportunities ahead, there are many unknowns in this election year, causing uncertainty in consumer confidence and slow GDP growth.

We remain committed that increasing shareholder value as demonstrated by our results. We continue to make progress in all of our key financial priorities. Our team is in line and engaged at levels to deliver this performance. Our investment strategy, sorry me, our investment in the strategy and the structure of our global OE organization is resulting in program wins, our aftermarket business is stabilizing and our e-commerce strategy is driving sales growth.

I would like to thank our dedicated teammates across the globe, as they continue to satisfy customers and deliver on our margin initiatives. Thank you to our stakeholders for their support and making Horizon Global a better company. We had a great first half of 2016 and we're excited about the opportunities ahead.

At this point, we will gladly take any of your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Matt Koranda of ROTH Capital Partners.

<Q – Matthew Butler Koranda>: Good morning, Mark, Dave, and Maria.

<A>: Good morning, Matt.

<A>: Good morning, Matt.

<A – Maria C. Bringer Duey>: Hi, Matt.

<Q – Matthew Butler Koranda>: Just wanted to start off on the guidance. Thanks for the explanation at the [ph] end Mark, but I'm just looking at my model, and even if I cut my segment operating margin assumptions in those North America and international, and essentially give you no credit for the consolidation of Juarez or the better sourcing in China or the other margin improvements you guys have in the works for the remainder of the year, meaning just I assume margins are either flat or even down attaching Q3 and Q4 relative to last year. I still get the segment operating margins for the full year, they're more like 10%, which is almost a 100 basis points ahead of where you guys have guided. So, how much of the maintained guidance that you have here is just an abundance of conservatism and how much of it is something specific you're seeing in one of the channels that maybe giving you a pause here?

<A – A. Mark Zeffiro>: Matt, there is things that obviously shifted, and I want to – well, I'm excited about the 7.1% growth in the quarter, that is clearly driven by some of the volume changes between Q2, Q3 last year as comparative, right. So, when we're going through the spin, you have different priorities that are important in terms of launching the company. So, I would tell you that there is excitement around Q2 and the margin expansion. And obviously the volume leverage that we got as a result of good sales growth relative to the previous year gives us a really, really strong Q2.

That being said, we're still targeting internally from – not from a guidance perspective, but internally we're targeting to get to that 10% at the segment operating profit level. So, to that end, that's still where we're headed. I would just encourage you to look at the relative comparison and the implications of Q2-Q3 split associated with your income.

<Q – Matthew Butler Koranda>: Got it. Okay. That's helpful, Mark. And then, just I missed part of the prepared remarks, I apologize if you'd touched on this in more detail. But, could you just clarify what you meant in the release by discussing uncertain order patterns? I mean was there anything specific in one of the channels you are seeing there or I know, retail was down a touch but maybe, you could just kind of touch on where you saw or where you think, you're seeing uncertain order patterns?

<A>: It's really the retail segment. I would tell you that the order rates in OE remained strong, the order rates improved significantly year-over-year in the aftermarket side of the business. We had a blowout first quarter that the retailers experienced and what we saw was abated levels of POS in that channel and in terms of POS growth. So, what they've got is they've got healthy inventory levels in the retailers right now, which is a really good fact but we saw a little spotty in terms of order patterns in certain of the customers, not all the customers but in certain of the customers. That gives you pause to make sure, that you understand, how the consumers are prepared to spend their money and I would tell you that, that Q2 observation was an important loan for us.

And if I didn't see healthy inventory levels, I would be significantly more concerned but the healthy inventory levels really tell us that the retailers have the right amount of the inventory in the right places and that they're not overstocked, that's the key fact here.

<Q>: Got it. Okay. And was there one particular area of retail like I think, you guys called it out home improvements potentially, it's maybe showing a little bit of weakness relative to some of the other portions of retail or is it just kind across the board?

<A>: No, the two places that we saw most pronounced was in the mass merchant channel and in the home improvement channel.

<Q>: Got it. Okay, that's helpful. Wanted to touch on margin improvement for the remainder of the year, I guess how much more do you think you can get out of the North American segment obviously very strong margin improvement year-over-year in Q2, but you've still got the consolidation Juarez an improved sourcing that I think you've got to show up in results and I believe maybe you can just talk about when that starts to kind of flow through the P&L and essentially maybe you can try to and what kind of headwind are you facing from inflation of raw materials and does that sort of overwhelm some of the additional operational improvements you're making?

<A>: That's a great question, Matt. The reality is Dave will talk on, how that sourcing benefit kind of comes through in the back half of the year to give a bit more clarity there. I would tell you though that we're still focused on the strategic plan of again getting to 10% as – at an enterprise level. So the 15% in the quarter is great news, it's great news on contribution to a full-year improvement as well. But I'll tell you that that still needs to be a couple hundred basis points yet higher on a full-year basis for us to achieve that threshold of 10% operating profit at an enterprise. So, we're still focused on that. In that was my point around the additional projects that will have to be added to the productivity deck whether it's the distribution study or other things that we haven't really talked about yet and aren't really ready to be in a primetime where as we developed the programs, and developed the projects, to otherwise then release them and share with obviously people like you and our investors around how we expect to achieve that 10% operating profit as an enterprise. With that said, David do you want to give some additional commentary in terms of the back half, please.

<A>: Yeah, for sure. So Matt if you remember the big thing that we did right before the spin was the consolidation of the corporate structure for Horizon – for the North American segment. So that benefit basically started in the back half of this year and continue on a comparative basis through the first half of this. So, now we're comparing ourselves against numbers that match that, whereas it was originally planned to close at the end of March, physically, it actually got pushed back to the end of May, so we were a little bit late in terms of the realization of those benefits.

So we've talked all along about the sourcing benefits as inventory turns and the production in Reynosa as inventory turns being kind of a late Q3 event. I would say that's probably pushed itself into early Q4, and the realization impact of that change and timing is just that volumes tend to be a bit lower for us in Q4 as you know. So we still expect to see it, and we still expect to see it this year, the effect is just going to be a little bit more muted given that time delay.

<A>: And in terms of total value.

<A>: In terms of value in the current year.

<A>: Yeah, yeah.

<A>: The run rate is same, it's just recognition this year.

<Q>: Got it. It's very helpful. It makes sense guys. In terms of free cash flow, obviously really strong, you guys nearly double my estimate in the quarter. Beyond the levering, I know that's obviously a very high priority for you guys, but how are we thinking about immediate priorities for cash flow as you buildup into the year-end here?

<A>: The reality as we have projects that we're still funding that drive margins. And those are potted throughout the world, not just North America in terms of the consolidation that you just heard us talk about in terms of the Reynosa manufacturing presence, but also in terms of just being more effective and efficient in our South African operation.

As you heard me mention, we bought a small company in the quarter, it's not material to the total company but what we bought was productivity. We bought productivity from material cost for us as a company. That's sustainable and sustainable to be able to provide margin enhancement for Europe at large. So, we're targeting our capital spend at – Dave, always talks about it, about 2.5% of sales, but we're targeting it around not just maintenance because the others, some things that we have to maintain, but for the most part, our infrastructure is fairly new relatively speaking as compared to either competitors or other people in the space.

The advantage we have is that we're targeting those specific things that otherwise get us material cost out, material cost reductions, labor cost reductions that are lessen to your paybacks, and – and that's how we have kind of put the threshold here of how we target that. So, let's talk in aggregate, 2.5% of sales from a CapEx perspective and from a cash pooling perspective, the reality of it is, is we still have amortization payments for the rest of the year, that's another $5 million. And the reality of this is that, our leverage covenant is on a net debt basis as well, so we get credited from a leverage perspective. But what I want to make sure is that, we're being really, really smart in terms of the deployment of that strategic cash around things that generate margins for us as a company, not just today, but for the foreseeable future.

<Q>: Got it.

<A – A. Mark Zeffiro>: If you're looking for me to say, I have an acquisition in Q3 and Q4 targeted, of course, obviously we're not going to go there, but acquisitions are part and parcel but thesis that what we have in terms of cash deployment. So, we'll be in really smart in terms of how we're spending that money.

<A – David G. Rice>: Yeah. The only thing I would add is that, we still had about $10 million of short-term borrowings on our ABL at the end of the quarter. The first objective really is to get that paid down to zero by the end of the third quarter. So, we'll sit on the cash payout the short-term stuff, fund the projects that we're doing from an investment cycle, and then determine if there is excess that we want to throw out term-loan.

<Q>: Understood. Thanks, guys. One more I think I have to ask the obligatory question on the aftermarket in terms of distributor consolidation and just the latest you're seeing on that front given the kind of somewhat choppy growth environment that you talked about.

<A>: That was actually a good factor in the quarter with significant growth in the aftermarket, the larger customers in that space are clearly showing growth in share take. So, we kind of like where we are, it's stabilized in terms of their need to pull out inventory, but that doesn't necessarily mean that there won't be more disruption as those guys run their own strategic plans. So, we just try to be as quick and fast as we can in terms of responding for their volume needs. But, it was growth in the quarter, nice growth in the quarter, and the larger guys are clearly taking share.

<Q – Matthew Butler Koranda>: Got it. I'll jump back in the queue, guys. Thanks, and congrats on the really strong quarter here.

<A>: Thank you.

<A>: Thank you, Matt.

Operator: Our final question comes from the line of Rudy Hokanson of Barrington Research.

<Q – Rudy Hokanson>: Thank you. Good morning. The question, I'm not sure if this is an appropriate way to look at it or not, but I'm trying to look at the issue of margin improvement from a number of different directions. As you concentrate on margin improvement, are there particular things you can do that are specific to the channels. In other words, are there things that you could tell us about that you're doing relative to the retail channel or the industrial channel or the automotive aftermarket, are there issues there – this might get into the way that you distribute your products, you've certainly alluded to some of those things, but how can we think of those areas as where we will see margin improvement?

<A>: Let me take a crack at that, really that's a very thoughtful question. When you think about the retail business, the retail business requires a high degree of new product introduction, a high speed by which you can see a velocity of change. The creation of more first to market as and a reduction in developmental cycle time is clearly going to help the retail business along the way. I would also say that everybody benefits from that though and it's just a matter of degree in terms of to what is needed by the retailers. The other reality is in terms of how we sell, in terms of fulfillment and fulfillment process, there are different fulfillment processes for the aftermarket distribution and obviously e-commerce channels than there are for the retail channel. So, the reality is that the distribution, we've alluded to it a couple of times now, a distribution study is going to help us in terms of optimizing freight and logistics, which are more affected in certain of those channels than maybe the retail centric portion they are in. OE wise, it's all about material cost productivity and making sure that your earning and learning along the way as you ramp up production of new products. And I would tell you, that that's going to be a significant important focus for us and in terms of just day to day productivity, it's true of all the businesses, but I would tell you with the amount of new awards that we've received in the OE side of the house, we're going to have to spend more focus and more time, on driving real productivity in those OE volumes. It's about making sure, that you're right in your high quality but then, it's also about driving real productivity, as you ramp up those volumes.

<Q>: And certainly along those lines and again I think, you alluded to you know, trying to look out as you work with the OEs, what kind of visibility do you have as to what the new demands might be for your products in terms of engineering or material that would be utilized as people are looking for lighter and perhaps more adaptable products? What kind of a lead time do you have? And might we see a line at some point, that would be called R&D?

<A>: That's a great question again. I would tell you this that we've got – we've been in the market and in the engineering process of light weighting products, through either A, different types of steel, different types of alloys for years. The biggest challenge is the commercial price point as compared to the weight reduction that's otherwise, needed or material hasn't yet gotten to the point where it's realizable.

Now, that's I have to say, we won't get there, it just means that we're ready in terms of alternatives sources of steel and things of that nature. I would tell you that smarter products are where the real effort needs to go in terms of electronics, sensors, those kinds of things around the use of our day-to-day products, is that where you're going to drive an impact to the user and the user will demand that kind of technology in the product and clearly that's something that the team is already focused on. And that's really the point of the margin dashboard in the last item really round, it's about developing plans of major categories outside in view and making sure that the team is doing it. Outside of that research and to itself, we're more of a development company than we are in a pure research perspective. There is a lot of really smart people and universities, and other development houses that we have access to, that can clearly help us in terms of material technology.

<Q>: Okay. Those were my questions for now. Thank you very much, nice quarter.

<A>: Thank you, Rudy.

<A>: Thank you, Rudy.

Operator: Thank you. That was our final question. I'll now turn the call over to Zeffiro for any additional or closing remarks.

A – . Mark Zeffiro, Co-Chairman, President & Chief Executive Officer

Jeff, is my brother I think and else using this. Hey, Horizon Global remains focused on those key three priorities. I hate to be so mundane in just repeating that. But the fact of the matter is, our focus in alignment of our resources have delivered and delivered for four consecutive quarters. I want to thank everybody that's been intrinsic in doing that and their value contribution to us as obviously a company and for our shareholders. We're on the path of getting the 10% and 10%. We're on the path of less than two times lever; and we're on the path and successfully on the path of 3% to 5% organic growth, and it's all on the work and hard work of all of our employees.

So, with that said, thank you for your attention and we look forward to give you an update and let's say about 90 days. Take care.

Operator: Thank you ladies and gentlemen. This does conclude today's second quarter 2016 earnings conference call. You may now disconnect.