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Horizon Global Corp. (HZN)

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Josh Nichols
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Matt Koranda
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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to Horizon Global's First Quarter 2019 Conference Call. My name is Brandy 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 would now like to turn the conference over to Ms. Christi Cowdin, Director of Corporate Communications and Investor Relations for Horizon Global. Ms. Cowdin, you may proceed.

Christi Cowdin

Director-Corporate Communications & Investor Relations, Horizon Global Corp.

Thank you, Brandy. Good morning, everyone, and welcome to our first quarter 2019 conference call and webcast. On the call today are Carl Bizon, President and CEO of Horizon Global; and Barry Steele, our Chief Financial Officer. Earlier this morning we announced our first quarter 2019 results. The release is available on many news sites, as well as in the Investor Relations section of our website at horizonglobal.com.

Turning to slide 2, I'd like to remind you that statement 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 describe 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 filings with the Securities and Exchange Commission.

Today's presentation also includes non-GAAP disclosures. These disclosures are reconciled to GAAP in the appendices to our quarterly press release and presentation, both of which are available in the Investor Relations section of our website at horizonglobal.com.

With all of that being said, I would now like to turn the call over to our President and Chief Executive Officer, Carl Bizon. Carl?

Carl Bizon

President, Chief Executive Officer & Director, Horizon Global Corp.

Thank you, Christi, and good morning to all of you on the call today. This morning we will review our results for the first quarter 2019. I'll provide an update on our operations including our ongoing efforts in the Americas to meet the demands of the prime selling season throughout the second and third quarters which will be a key driver of our results for the full year. We will also cover the progress against our business improvement initiatives in Europe-Africa and the outlook for global business during the remainder of 2019.

Additionally, we'll discuss the alignment of our management team, our board, and all of our Horizon team members across global operations. Our team is intently focused on providing industry-leading towing and trailering products, achieving the quality and service levels demanded by our customers, and improving financial results that will drive shareholder value. Following my comments, Barry will take us through the operational performance of the business and our current financial position. After that, we will open the call to questions from our covering analysts.

Slide 4 is familiar to most of you as it outlines our strategic vision. Throughout our business improvement efforts over the past year, we have remained one team, a team that has relentlessly focused on delivering best-in-class products to our customers and end users across all channels of distribution. This is the driving commitment behind everything we do, both today and as we move our business forward to its next phase of growth.

Turning to slide 5. We entered 2019 with positive momentum on several fronts. Let me start by outlining some of the recent strategic accomplishments we achieved in the first quarter. As we discussed during our most recent earnings call back in March, we successfully completed amendments to our existing debt arrangements, as well as securing a second lien term loan to provide additional liquidity, added capital to fund our business improvement initiatives, and set the stage for improved results in revenue and earnings. Shortly after achieving these initiatives, we announced that The New York Stock Exchange had accepted our plan to regain compliance with its continued listing standards. We are working proactively with NYSE to demonstrate our progress towards the plan we submitted.

In early April, we announced a significant change to our Board of Directors with the addition of six new Independent Directors, four retiring Directors and three remaining Directors to bring our overall board composition to nine members, eight of whom are independent. The Horizon board brings a wealth of operational, turnaround and financial expertise that is essential to supporting the company and the achievement of our long-term goals.

Our board met in mid-April and wasted no time in accelerating the existing governance initiatives and taking action to increase alignment with shareholders. The board voted to declassify its structure, and subject to shareholder approval, each Director will now stand for reelection every year at the Annual Meeting.

Some of our new Directors are already significant shareholders but the board elected to change its own compensation to shift primarily to an equity-based program, further highlighting alignment with shareholders. Our board is fully engaged and working closely with our team to drive progress on our operational improvement efforts and delivered value for our shareholders.

Our Q1 revenue performance was softer than expected but our operating profit demonstrated improvement. Our total revenue was modestly lower compared to prior year, primarily due to two factors in our Americas segment which adversely impacted Q1 sales. The first was a challenging comp due to the pull forward of demand that happened in last year's first quarter but was not repeated this year, and the second was a late start to the season due to adverse spring weather this year.

In the Americas, our Kansas City distribution center performed well and is ready for expected demand in Q2 and Q3. With this main distribution hub servicing our regional distribution centers and meeting the needs of our customers, we continue to see positive trends in past due orders compared to prior year. Additionally, the team implemented the new automated stock retrieval system in Kansas City. Currently operating on a limited basis, we expect this new system will provide enhanced efficiency and labor productivity within the distribution center, enabling the team to further improve our ability to service customer orders. We are confident in our team's ability to meet the peak seasonal demand in the Americas' summer selling season over the next two quarters.

Notably, we made a move to strengthen the leadership team in the Americas with the announcement of a newly created position, Chief Operating Officer in the Americas. This will be a pivotal role that will partner with me and the Americas team to achieve our planned profitability improvement for this region in 2019 and beyond. Our new COO will begin working in the business during the second quarter, and we look forward to an immediate and meaningful contribution to the Americas team.

The Americas team continued to address commodity and tariff-related cost increases through appropriate price changes that are now fully instituted and reflect the value we provide our customers. Beyond pricing, the team focused on reducing operating costs as we begin to reap the benefits of the reorganization we completed in 2018 with improved SG&A expenses. Our team continues to review every aspect of our business with an eye towards responsibly reducing costs across our operations. With efforts in the Americas leading the way, we posted improvements in bottom line results and reduced our SG&A in the quarter.

In our Europe-Africa segment, the team continued to make progress in turning around the operations. We will discuss this in greater detail on the next slide in just a moment, but the team is driving improved operating performance at key production facilities and further aligning production, supply chain, and distribution to enhance productivity and reduce costs.

Production has shifted to local suppliers wherever possible, and the team has improved logistics to reduce the overall level of premium freight costs incurred to meet production goals and deadlines. Overall, we have a team that is concentrating on operational details while not losing sight of the bigger picture, making sure our operations have the resources and personnel needed for daily operations while maintaining focus on meeting the demands of our customers.

Asia-Pacific continue to be a standout contributor to our company's first quarter results. Despite slightly softer sales for the quarter compared to the prior year, the team was able to generate significant improvement in operating profit with a continued focus on operating at peak efficiency. Asia-Pacific continues to meet or exceed our performance expectations for that region.

Turning to the specific business improvement initiatives we are targeting for Europe-Africa, slide 6 provides a consolidated view of our progress. This series of initiatives is expected to provide both short- and long-term business improvement. From procurement and sourcing, to streamlining logistics, to productivity initiatives, we view many of these business improvements to be an extension of our broader goal to greatly improve our overall operational efficiency across Europe-Africa. The changes we have implemented so far and those changes still to come will go a long way toward improving the productivity and profitability of our overall operations in that region.

We have shifted supply sources to local providers where cost savings and efficiency could be achieved. We'll have shifted to lower cost global suppliers wherever possible. Throughout this process, we are looking at the overall cost impact, not simply component pricing. Ultimately, the cost of transportation and logistics must be considered and addressed to arrive at the optimal economic and business decisions to deliver improved performance.

While we are certainly making solid progress, the improved cost base is building slower than expected due to our recent business challenges in the region. We have prepared for the upcoming season in the aftermarket with a stock build expected to meet customer demand, which should help us regain some of the sales that were lost due to inadequate inventory availability for aftermarket customers during the 2018 prime selling season.

To help position the aftermarket business in Europe-Africa for market share gains and long term growth, we are actively working on new product development offerings that will be introduced later this year and will help continue momentum from 2019 into next year's season. So far in the current quarter, we have made progress shifting our product focus towards higher margin programs while reducing lower margin products within our offerings, so this will be an ongoing multiyear process.

The overarching theme in all of our European business improvement initiatives surrounds our efforts to simplify the operations and unwind unnecessary and unprofitable complexity across the region. We realize that challenges in the recent past in Europe have created some reputational impact amongst this segment of our customers, and we are actively working to overcome these challenges by consistently delivering on our promises and providing innovative products with the quality and services our customers deserve.

Ultimately, we are confident that as we accomplish these business improvement initiatives, we will create a business presence in Europe-Africa that is fundamentally stronger than when we acquired it with a higher and more profitable growth profile for the long term.

As we said last quarter, we remain convinced that the challenges in Europe-Africa are ultimately fixable as we continue building the right team to execute on our business improvement initiatives. The team continues to prioritize progress on initiatives with the greatest potential impact on the most profitable programs, channels of business, and production processes, while also identifying potential new actions as conditions evolve in the region.

If we turn to slide 7, Barry will take us through the financials and the segment results.

Barry G. Steele

Chief Financial Officer, Horizon Global Corp.

Thank you, Carl. As Carl mentioned, please turn to slide 7 for a review of the company's consolidated results for the 2019 first quarter. Our consolidated results were much better than the prior year primarily due to a significant reduction in nonrecurring charges that are only modestly better on an adjusted recurring basis and below our expectations for this point during the year. The slower start to the prime selling season has impacted our year-to-date performance results, but we still expect to see improved results in the second and third quarters, which are historically the most important revenue and earnings quarters for our company.

Net sales were 3.3% lower during the first quarter of 2019 compared to the prior-year first quarter. This decline was due to unfavorable currency translation. On a constant currency basis, net sales improved by 1.3%. Revenue increases were posted by our e-commerce and OEM channels which, along with increased selling prices, offset lower aftermarket and industrial sales volumes and higher sales returns and allowances during the quarter.

Our 2019 first quarter operating loss of $8 million included $6.2 million in special items as compared to $50.3 million of special items during the first quarter of 2018. 2019 special items are primarily comprised of fees and expenses associated with the process to amend our ABL and term loans totaling $1.2 million, and a charge totaling $4.3 million associated with an adjustment to a customer product recall liability in our Europe-Africa segment.

During the prior year, special items mainly consisted of $43.4 million impairment of goodwill in Europe-Africa, distribution center inefficiencies and higher than normal customer fines and penalties totaling $2.1 million and restructuring charges, and employee severance costs related to the reorganization activities in the Americas and Europe-Africa segments totaling $2.6 million. Accounting for these special items, the adjusted operating loss was $1.8 million for the 2019 first quarter compared to an adjusted operating loss of $2.9 million during the prior year. This $1.1 million improvement was mainly driven by higher sales volumes, increased customer pricing and reduced selling, general and administrative expenses which were partially offset by higher freight and commodity costs.

Now let's turn to slide 8 to review segment performance for the quarter. Net sales in the Americas segment was flat compared to the prior year quarter due to price increases being offset by lower unit volumes and higher sales returns. The price increases intended to offset input costs that increased during 2018 totaled just under $2 million, whereas lower volume and higher sales returns totaled $1.3 million and $1.2 million, respectively.

The year-over-year net sales performance included important net sales mix changes at the channel level. Cold, wet weather in North America led to lower net sales in both the retail and aftermarket segments which declined by 11.6% and 8.9% respectively. These decreases were mostly offset by higher e-commerce net sales which nearly doubled during the quarter as compared to the same period in 2018. A small increase in OEM net sales was offset by lower industrial net sales.

The Americas segment reported an adjusted operating loss of $680,000, which represented an improvement of $540,000 or 44% compared to an adjusted operating loss of $1.2 million during the first quarter of 2018. This improvement was mainly driven by price increases and a reduction in selling, general and administrative expenses. While this represents progress in the right direction, the results fall short of our expectations for this point in the current – in the year. This shortfall was mainly driven by lower than anticipated revenue which impacted the top line, an unfavorable product mix and fixed cost coverage which impacted both gross margin and operating margin.

As we mentioned during our last call, we have implemented a number of additional cost reduction measures which are expected to contribute $5 million to the bottom line for 2019. We expect this positive impact to flow through during the remainder of the year. The decrease in net sales for the Europe-Africa segment was driven by currency translation. On a constant currency basis, revenue grew by 2.7%. This increase was due to higher OEM channel sales, mainly unit volumes, which were partially offset by lower aftermarket net sales.

Like in the Americas segment, this channel mix shift unfavorably impacted gross margin. However, lower selling, general and administrative expenses resulting from restructuring activities initiated during 2018, mostly offset the gross margin decrease. Consequently, we reported an adjusted operating loss for the first quarter totaling

$280,000 as compared to a small adjusted operating profit of $70,000 during the 2018 first quarter. This performance was slightly below our expectations for the quarter.

The Asia-Pacific segment report a slightly lower net sales during the quarter which was also attributable to currency translation. The currency adjusted result was an increase of 2.7% as compared to the prior year quarter. Again, higher OEM revenue was partly offset by lower aftermarket revenue. While this created an unfavorable margin mix in the segment, operational efficiency improvements, fixed cost coverage, and reduced selling, general and administrative expenses more than offset the impact, resulting in a year-over-year increase in adjusted operating profit of $1 million or 23%. These results exceeded expectations for the segment at this point in the year.

Turning to slide 9, we take a look at our capitalization at the end of the 2019 first quarter. The $28.7 million increase in our recorded debt from $364.5 million at December 31, 2018, to $393.2 million at March 31, 2019, reflects the addition of our $51 million second lien term loan, which is partially offset by capitalized OID and deferred financing costs of $10 million, an amount of a new loan recorded for the detachable warrants totaling $5.4 million and preferred stock totaling $5.3 million. Also reducing our recorded debt or net repayments on our asset base revolving line of credit totaling $18 million. On a gross basis, our total debt was $439.8 million at the end of the first quarter.

Working capital totaled $129.9 million at the end of the quarter and represented an increase of $27.1 million or 26% as compared to December 31, 2018. This increase represents a seasonal ramp up in revenue and a reduction in past due accounts payables. Our total liquidity at the end of the first quarter which includes borrowing availability under our revolving lines of credit and cash on hand was $56.5 million, and it is expected to be sufficient to fund our operations and service our debt over the next year, and in particular through the prime summer selling season.

I'll hand it back to Carl to wrap up.

Carl Bizon

President, Chief Executive Officer & Director, Horizon Global Corp.

Thanks, Barry. Turning to slide 10. Hard work remains and the team is intensely focused on the efforts required to accomplish our strategic goals. We remain confident in Horizon Global's underlying business as we have the products and brands that provide us our leadership position in our industry. We are well positioned in the Americas for the upcoming peak season. Asia-Pacific has been a consistent and strong contributor to our business and we will continue to support their success.

We will also continue driving progress on the turnaround efforts in Europe-Africa, setting the stage for better results there in the long term. The forward momentum we have achieved thus far provides the basis for continued improved performance for the remainder of 2019. The Americas may have ended the year with a challenging seasonal demand outlook, primarily due to the harsh winter experienced across much of the U.S. But based on continued positive outlook from our customers, we believe the prime spring and summer selling season is beginning to unfold and we are well positioned to capitalize on it.

Earlier, I provided an update on the business improvement initiatives that are expected to turn around our Europe-Africa business. We made solid progress on these initiatives and we expect that improved operating efficiencies and reduced complexity at our production facilities in Germany, France and Romania will begin to show benefit this year. Some other initiatives such as regaining after-market sales and reinforcing our reputation among customers will take more time as we prove ourselves each day.

Our team is aligned as one team with one goal. We've had new influx of talent and leadership across Horizon Global and we are united in our efforts to complete our strategic goals. We are focused on efforts to improve our operating performance by expanding margins, improving product profitability, and ultimately generating cash to pay down debt and invest in the business.

From a practical standpoint, that means we focus on those things we can control and simplify our business by removing complexity within our core markets and geographies. We will continue prioritizing cash generation in everything we do to reduce debt and ultimately grow our business. We value our team and will continue to invest in them by providing the training and best practices that will benefit our business and our customers, as well as be shared across the global organization.

We have a reinvigorated board with added talent and experience to help guide us as we move steadily towards long-term strategic success. Achieving our goals will establish a stronger and more profitable base for the business which will drive improved performance, ultimately deliver value for our shareholders.

I will now turn the call over to operator so we can take questions from our covering analysts. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. The floor is now open for your questions. [Operator Instructions] Our first question comes from Josh Nichols of FBR.

Josh Nichols
Analyst, B. Riley FBR, Inc.

Q

Yeah. Thanks for taking my question. I did want to ask. Good to see that the Americas business, although it's off to a slow start, is ready for the prime selling season. Where is the backlog at? I know that that had been worked down a little bit last quarter, but any updates on where that stands today?

Barry G. Steele
Chief Financial Officer, Horizon Global Corp.

A

This is Barry. The past due backlog is about $4.3 million, whereas the total order intake right now is standing at about $30 million.

Josh Nichols
Analyst, B. Riley FBR, Inc.

Q

And then I did want to ask, just with the potential increase of tariffs tomorrow going from 10% to 25%, could you help frame what type of impact that may have to the company?

Carl Bizon
President, Chief Executive Officer & Director, Horizon Global Corp.

A

Josh, it could have a couple of impacts. I mean, I think in the short term we might see a bit of an accelerated demand on our inventory. I think that is something that you'd expect to see if a change of that nature comes through very quickly. Secondly, as with the tariffs last year, we are in a position where we simply passed it through to our customers, and ultimately the consumer pays the cost of those tariffs. There is a leading impact to those tariffs and we certainly have inventory on hand. But at this stage, I think the ultimate impact on demand is something that the consumer will have to determine in terms of what it means to them.

Josh Nichols
Analyst, B. Riley FBR, Inc.

Q

And then – yeah. Thanks, Carl. Then I wanted to ask, given that we're close to halfway through the second quarter, are you seeing any lingering impacts as far as the weather issue that there was a headwind in the first quarter or what are you seeing from the demand front?

Carl Bizon
President, Chief Executive Officer & Director, Horizon Global Corp.

A

We're looking at the foot traffic numbers through our retailers and generally taking stock of what's happening around the economy. But I think ultimately, as we've always said, this business in the U.S. will ultimately be judged at the end of the third quarter. So to the extent that the weather has got us off to a slow start, ultimately the result of our efforts won't be known until the end of the season at the end of the third quarter.

Josh Nichols
Analyst, B. Riley FBR, Inc.

Q

And then just at a high level if you could provide, I know that Europe-Africa has been a little bit of a pain point in this. You're working on it, but it's going to take some time to fix. Could you talk a little bit about high-level expectations for this year regarding top-line opportunities for operating margin improvement this year?

Carl Bizon
President, Chief Executive Officer & Director, Horizon Global Corp.

A

We're certainly not providing guidance, as you know.

Josh Nichols
Analyst, B. Riley FBR, Inc.

Q

Yeah.

Carl Bizon
President, Chief Executive Officer & Director, Horizon Global Corp.

A

There are some materials in the marketplace that were published as a result of the financing efforts we performed earlier in the year. I think they give general outlook of our expectations for the year but we certainly won't be providing guidance at this point in time.

Josh Nichols
Analyst, B. Riley FBR, Inc.

Q

And then last question then I'll jump back in the queue. What are you seeing, and if you could help quantify the impact as far as freight costs and steel costs, some of which have come in a little bit recently it seems like?

Josh Nichols
Analyst, B. Riley FBR, Inc.

Q

Yeah. I think your comment is correct. I think there's been some slight softening in both of those cost areas which will obviously be to the company's benefit if that continues.

Josh Nichols
Analyst, B. Riley FBR, Inc.

Q

Thanks, Carl. I'll hop back in the queue.

Josh Nichols
Analyst, B. Riley FBR, Inc.

Q

Thank you, Josh.

Operator: Your next question comes from Matt Koranda, Roth Capital.

Matt Koranda
Analyst, ROTH Capital Partners LLC

Q

Hey, guys. Thanks. Just wanted start out in the Americas. So the first question is, what gives you the confidence in the ramp up in North America in the season? Is it essentially you've been talking to your dealers and distributors that gives you confidence or what other data points are you looking at that suggests we're going to see a relatively steep ramp heading into the remainder of the year here?

Barry G. Steele
Chief Financial Officer, Horizon Global Corp.

A

Well, one of the leading indicators, Matt, is – I'll call it backlog, I guess, for us but sort of orders on hand is pretty sizably higher than last year, that $30 million I just mentioned. I think it's like 20% better than what it was this time last year. It's an important indicator for us.

Carl Bizon
President, Chief Executive Officer & Director, Horizon Global Corp.

A

And also, Matt, when you when you think about the U.S. consumer, I think unemployment is still historically low, interest rates are low. The average American I think is feeling good about themselves. I think when you consider that our business is pretty equally split between commercial demand and recreational demand or consumer demand, I think a U.S. economy that remains strong where the consumer feels good about their prospects given the right – whether circumstances leads to a good season for us. So I think we have enough macroeconomic circumstances there that point towards the fact that all things being equal, we're heading into a typically strong seasonal demand.

Matt Koranda
Analyst, ROTH Capital Partners LLC

Q

Okay. Given your comments in the prepared remarks, Carl, though, it did sound like the seasonality of the Americas this year could shift more toward Q3. Am I interpreting that correctly because at least in the past, I think seasonality has generally been more skewed toward Q2 in the Americas in terms of revenue weighting by quarter?

Carl Bizon
President, Chief Executive Officer & Director, Horizon Global Corp.

A

Matt, I think the weather has certainly had an impact and that we're not the only ones who felt that impact. I think, if you look across a number of sectors of the retail or power sports or other parts of the economy, there has been a slow start to the year as a result of the wet weather down South and the cold weather up North. And I think as we see consumers coming out and starting to participate in outdoor activities and the retailers and distributors start to pull from us, I think there's been a lag. And I think as I said before, ultimately the end of the third quarter will be the determinant of how well we performed as a business.

Barry G. Steele
Chief Financial Officer, Horizon Global Corp.

A

And Matt, I would add to that...

Matt Koranda
Analyst, ROTH Capital Partners LLC

Q

Okay.

Barry G. Steele
Chief Financial Officer, Horizon Global Corp.

A

...that because of that potential outlook, we have tried to cut back some of our spending and that's what was mentioned about $5 million in the second, third and fourth quarters as some savings we'll be able to add to bottom line.

Carl Bizon
President, Chief Executive Officer & Director, Horizon Global Corp.

A

And I think to Barry's point, I mean, I think the bottom line is we're not waiting for the season to take action. We have worked and stepped in proactively to adjust our SG&A spend and our costs to ensure that we're simply not waiting for the season to determine how we go as a company for the year. We've taken a number of proactive steps to ensure that when the year is done that we've done everything possible as soon as we could.

Matt Koranda
Analyst, ROTH Capital Partners LLC

Q

Okay. And just to clarify in that $5 million, that's all in the Americas? And is that essentially coming from head count, is that essentially some of the benefit that you're quantifying now around the consolidation into Plymouth? Just a little bit more color on where exactly that $5 million is coming from.

Carl Bizon
President, Chief Executive Officer & Director, Horizon Global Corp.

A

It is new and additional to the efforts from last year and it is across a number of areas.

Matt Koranda
Analyst, ROTH Capital Partners LLC

Q

Okay. Shifting gears to – or actually no, let's stay on Americas for one more. Just in terms of the pricing for the quarter, I think you had said pricing had only begun mid-quarter in terms of your efforts. I guess I would've thought you guys started pricing toward the back end of last year. So was this a mix issue or are there certain components or products that you had not yet put price through that you started to put price through on during the quarter? Can you give a little clarity on that? And should we see the full benefit of pricing by Q2?

Carl Bizon
President, Chief Executive Officer & Director, Horizon Global Corp.

A

So the answer is, yes, we will. You will see by the end of the second quarter the effect of all of the pricing initiatives that we've taken to recover the cost headwinds that we experienced last year, and to some extent earlier this year. Some of our customer agreements, Matt, involve a lead-in period on pricing changes. We work with our customers within the bounds of the trading agreements we have with them. And depending on who the customer is and how that works, there are various notice periods that we work through. That means that the pricing is staged based on the commercial realities of the situation we're in.

Matt Koranda
Analyst, ROTH Capital Partners LLC

Q

Okay. All right, that's helpful. And then in Europe-Africa, just wanted to look at the slide you provide with an update of the status of some of the initiatives you're working on. And I may have missed this earlier in the prepared remarks, but in terms of the procurement actions and the localization of supply, can you give a little more color on what is driving the status of that toward – I guess you guys have it as behind? So a little more color on what's going on there.

Carl Bizon
President, Chief Executive Officer & Director, Horizon Global Corp.

A

Sure. In the lead up to the additional working capital that we recently raised, our payment terms were quite tight with our creditors, and I think the environment was not conducive to us working proactively in partnership with our suppliers to improve cost efficiency of supply to our plants in Europe, certainly in an environment when we are working with them to ensure that we remain current.

So I think once we have realized the benefit of the additional capital that was recently raised, we will see a return to program in terms of the efficiency gains we believe will be achieved in Europe as a result of partnering with our suppliers on improving the cost efficiency of supply to our various plants.

Matt Koranda
Analyst, ROTH Capital Partners LLC

Q

Okay. So that capital that was raised in March, did that status change then at that point?

Carl Bizon
President, Chief Executive Officer & Director, Horizon Global Corp.

A

It certainly started to move.

Barry G. Steele
Chief Financial Officer, Horizon Global Corp.

A

Yeah.

Matt Koranda
Analyst, ROTH Capital Partners LLC

Q

Okay. Got it. And then I guess just last one on my end, to the extent that you're able to sort of talk about the status of the covenant that you have on the pay down of the $100 million of one L. What's the latest in terms of the sale of certain assets to cover a portion of that $100 million?

Carl Bizon
President, Chief Executive Officer & Director, Horizon Global Corp.

A

We are – we have commenced work. We have announced that we have engaged Jefferies as an advisor to the board. We have the board and myself all actively looking through the various options that we'll derive from that analysis that's being done between the board and our advisors. And as that work progresses and auctions become clearer, the board will make appropriate decisions and we'll communicate those at the first available opportunity.

Matt Koranda
Analyst, ROTH Capital Partners LLC

Q

So you're not necessarily entering an auction process yet? You're likely in the preliminary stages of assessing the options with the board, is that how to interpret what you said?

Carl Bizon
President, Chief Executive Officer & Director, Horizon Global Corp.

A

I guess what I'm saying is that it's early days and we're assessing all the options available to us in partnership with our advisors.

Matt Koranda
Analyst, ROTH Capital Partners LLC

Q

Okay. I'll leave it there, guys. Thanks.

Carl Bizon
President, Chief Executive Officer & Director, Horizon Global Corp.

A

Thanks, Matt.

Operator: Thank you. That was the last question we have time for today. I would now like to turn the call back over to Mr. Carl Bizon.

Carl Bizon
President, Chief Executive Officer & Director, Horizon Global Corp.

Thank you, everybody, for joining the call today. I look forward to updating you on our progress at the end of the second quarter in a few months. Thank you.

Operator: On behalf of Horizon Global, I would like to thank you for joining us today and we look forward to you joining us on our first quarter conference call in a couple of months.