PARTICIPANTS

Corporate Participants

Maria C. Bringer Duey – Vice President, Corporate Development & Investor Relations, Horizon Global Corp.
A. Mark Zeffiro – Co-Chairman, President & Chief Executive Officer, Horizon Global Corp.
David G. Rice – Chief Financial Officer, Horizon Global Corp.

Other Participants

Matthew Butler Koranda – Analyst, ROTH Capital Partners LLC
Robert Majek – Analyst, CJS Securities, Inc.
Walter Scott Liptak – Analyst, Seaport Global Securities LLC
Rudolf Arthur Hokanson – Analyst, Barrington Research Associates, Inc.

MANAGEMENT DISCUSSION SECTION

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

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

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

Thank you, Maria. Good morning, everyone, and welcome to Horizon Global's third quarter 2016 earnings conference call and webcast. Hopefully, everyone has had a chance to review the news release issued earlier. Our third 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 Reports 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 or earnings per share 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 analysts' questions. If we are unable to take your question during the call, please feel free to call me directly at 2485938810.

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. Glad to be here with you after a very busy last eight weeks. We've made great strides in the transformation of our business and are excited to bring you up to speed. Today, we will share with you the progress on our key priorities, our strategic efforts associated with Westfalia and our outlook for the rest of the year.

Our team remains focused on driving solid revenue growth, strong margin expansion and improvements of our capital structure. The third quarter result exceeded our expectations and we're aligned with the historical performance patterns.

Please flip over to slide five please. Let's talk about some of the trends we're seeing both in our industry and our business. The globalization and growth of OE continues and our business has continued to leverage the market shift to SUVs and truck sales. We had an outstanding quarter for OE growth which I'll talk about a little bit later.

The distributors in our aftermarket channel faced some of the most significant changes with consolidation and cannibalization by e-commerce activities. We've seen this pressure materialize in some of our smaller customers. Consumer confidence, while stable in the quarter, has been declining as we face the uncertainty of an election year. Steel costs came down in the quarter, and we continue to monitor commodities and adjust our purchasing patterns.

Overall, some puts and takes, in the quarter for us. But from a macro sense, we're exactly where we thought we'd be as we close in on the end of the year. As we talked about last quarter, our 2015 quarterly results were affected by spin-off activities, the discontinuation of certain commercial discounting practices and distributor consolidation. Our 2016 quarterly results have been in line with historical sales and profit patterns. We generated significant cash in the quarter allowing us to bring our leverage ratio down to 2.7 times, the lowest level since our spin-off. We also incurred approximately $5 million in costs associated with Westfalia transaction which negatively impacted our results. Our focus remains tight; creating shareholder value through the execution of our key initiatives.

Let's go to slide six. Our three financial priorities remain consistent; improve margins 10% and 10% at a segment and then enterprise level; improve capital structure to less than 2 times lever; and drive sales growth 3% to 5% organically. 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 Q3. We delivered an adjusted segment operating margin 11.6%, an improvement of a 150 basis points in the third quarter. It is clear that we're realizing the benefits of our prior restructuring activities. North America adjusted segment operating profit margin improved to 12.8%; and the International adjusted segment operating profit margin improved to 8.3%.

We're also focused on improving the company's capital structure. We ended Q3 with leverage ratio of 2.7 times, down from 3.6 times one year ago, reflecting our focus on improving profitability and reducing debt. Our operating cash flow improved to $14.7 million year-to-date and we ended the quarter with $41.4 million in cash on book. We still maintain our leverage goal of approximately 2 times even following the Westfalia transaction.

Sales were down 1% in the third quarter, our global OE businesses experienced strong growth in the quarter with 11 new wins which should represent over $2 million in sales on a full year run-rate basis. This is new incremental business. Volumes on existing awards are also growing. Our customer alignment efforts in this particular area, the OE, continue to pay off through growth in existing and new business awards. We expect that the Westfalia acquisition will only enhance these efforts.

Our e-commerce business continues to experience strong growth, with sales up nearly 24% in the quarter and that's following a quarter of 40% growth. Our brand efforts and enhanced customer support efforts are realizing the benefits of our recognized brands through continued growth. Regarding retail, we experienced some softening in this channel driven largely by new fulfillment systems and some inventory management efforts.

We're pleased with our continued progress in all three of our financial priorities with year-to-date results demonstrating that organizational focus and alignment results in business improvement.

Move onto slide eight, this chart should be familiar to many of you; it highlights our progress on the programs we're executing to deliver margin improvement. The consolidation of North America continues with the ERP implementation on track to go live as of January 1, 2017, enabling efficiency gains for that business. We'll implement a new distribution footprint in 2017 for North America, which will be added to the margin dashboard over the next quarter.

We've completed the Juarez Closure in consolidated production at Reynosa and we'll start seeing the benefits in Q4 of this year. Our sourcing initiatives continue with plans to reduce the supply base by 20% over the next 24 months. Our brand consolidation efforts is positively impacting our customers who now benefit from a more vital and expanded product line offering. In addition, this has allowed engineers to work on higher value added activities and continue to reduce design-to-shelf cycle time; a key competitive advantage for us. Future actions here will simplify our branding outside of the North American markets in the year ahead of us. Product innovation continues to be a focus for us as we build a robust multi-generational product plan that looks at new product introduction several years ahead. Our product innovation efforts are ramping up as we improve our cycle time on market – to the market through custom fitments. As we've discussed in the past, we believe these efforts will add margin to our business.

And of course, last but not least, we've added Westfalia integration to the margin dashboard. Our goal is to fully integrate Westfalia into our European organization. We have set up a project management office and identified five workstreams, which I'll talk to you about on the next slide. The margin dashboard continues to track our progress on key programs that will drive margin improvement for us. We will continue to add additional programs over time. As completed programs come off the dashboard and just become part of the daily operating culture of our business. In total, we are on track with these efforts to deliver margin improvement in 2016 and beyond.

If you please flip to slide nine of the deck, I'd like to take a moment to update you on the Westfalia transaction. We've signed a definitive agreement to acquire Westfalia in August and closed the transaction in October, which means the companies will be consolidated in the fourth quarter results. I spent two weeks in October visiting the largest facilities in Germany, France, Romania and sharing the Horizon vision, mission and values.

We have realigned the European teams and have clear organizational objectives. We established the PMO and have five workstreams that will bring $10 million in synergies in the first year. We've made great strides in 30 days and we'll keep you updated on our progress. We're happy to welcome Westfalia to the Horizon Global family. We have much work to do to integrate, align and embrace new cultures and team members that we have. Our businesses will be stronger together with a winning culture for our customers and our shareholders.

With that, please turn to slide 10, and I'm going to turn it over to Dave Rice, our CFO, who will go a little deeper into the financial performance for the quarter. Then I'll be back to wrap up and share our outlook for the balance of 2016.

David G. Rice, Chief Financial Officer

Thank you, Mark. In the commentary to follow, I will be discussing our performance in the quarter on an adjusted basis excluding special items which have been identified in the appendix of today's presentation. Also included in the appendix is a reconciliation of all adjusted non-GAAP results to the most comparable U.S. GAAP measure. Cash flow and balance sheet commentary will be on an as reported U.S. GAAP basis.

With that, please turn to slide 11 for a summary of our third quarter results. The third quarter reflects our fifth consecutive quarter with improvement in operating margins at both the segment and enterprise level. It's also important to note that this quarter represents the first quarter where we have a comparative result as a standalone company, although we were still in the process of fully developing our corporate functions in Q3 of 2015. During the quarter, we were able to mitigate the impacts on sales and profitability associated with our return to a historical distribution of segment operating profit. With the exception of cost incurred in connection with our acquisition of Westfalia, our continued margin expansion in Q3 reflects the impact of the margin improvement initiatives that we've undertaken on our journey to a 10% operating income enterprise.

With that, I'll go through our performance for the quarter. Net sales decreased [indiscernible] (12:31) compared to third quarter of 2015, primarily a result of a shift in aftermarket sales between the second and third quarter of last year in the North American segment. On this decline in net sales, segment operating profit increased $2 million to $17.5 million as compared to $15.5 million in the third quarter of 2015. Segment operating profit margin in the quarter was 11.6% representing a 150-basis point improvement compared to the same period in 2015. This performance was a result of lower input cost and margin improvement efforts partially offset by an unfavorable sales channel mix compared to the third quarter of 2015.

On an enterprise level, operating profit margin increased 20 basis points to 7.8% compared to 7.6% in the prior year. In the third quarter, we incurred corporate costs of approximately 3.7% of sales compared to 2.5% in the same period last year. As I noted earlier, during the third quarter of last year we were still in the process of building out our corporate structure, investments and certain strategic functions had been accelerated into 2016, such as our CIO and her focus on building a global IT infrastructure. We expect to leverage these investments in 2017.

Through the first nine months of the year, we generated $27.5 million of cash from operating activities, an improvement of $14.7 million when compared to the $12.8 million generated at the same point in 2015. Margin and working capital improvements drove this increase, as reported net income for the first nine months of the year decreased less than $200,000 despite $8 million in incremental interest costs and approximately $4.6 million of acquisition related costs incurred relative to last year.

Total debt at the end of the quarter was $190.6 million, a decrease from the prior year level of $203.7 million. Our net leverage bolstered by $27.7 million of domestic cash stands at 2.7 times, down from 3.6 times one year ago in consistent with our objective of de-levering the balance sheet to less than 2 times. This result is reflective of both the improved profitability and working capital management of our business, as well as payments made on our term debt. Our focus on improving margins, while de-levering the business, remains unchanged.

On slide 12, I'll go through the performance of our Horizon North America segment. Third quarter net sales in our North America segment reflected timing of activity we described on our second quarter earnings call where we highlighted the unusual timing of segment operating profit in Q2 and Q3 of 2015. Sales in the quarter reflected decrease of 5.1% compared to the same period in 2015, mostly resulting from the impact of seasonal timing of sales in the aftermarket and retail channels. The impact of this decline was in part offset by continued growth in our e-commerce and automotive OE channels. Sales in our e-commerce and OE channel each grew $2.1 million relative to the same period in 2015.

For the fifth consecutive quarter, the North America segment reported improved margins achieving growth of 30 basis points over the prior year to 12.8% of net sales. The margin improvement was primarily the result of favorable input costs, partially offset by investments to support growth initiatives in costs associated with the ERP implementation. Input costs were favorable based on lower commodity costs, labor saving due to the Mexican peso and the benefits of integration of the North American business. The team remains focused on the next steps in the integration of our Horizon North America business, leveraging the investment made in our OE structure and redeploying engineering talent to product enhancement and innovation.

Performance of our Horizon International segment is highlight on Page 13. On a constant currency basis, the third quarter net sales in our International segment grew 10.4% as compared to the same period in 2015. As Mark mentioned in his comments, our team's execution of a global OE strategy has continued to result in new program launches in the segment. Thailand, Australia, South Africa and Germany experienced growth in OE volumes, driven both by new programs and strong market conditions. Offsetting this growth was weaker demand in Brazil and for our aftermarket business in the UK.

Operating profit for the International segment nearly tripled to $3.6 million and operating profit margin increased 520 basis points to 8.3% of net sales. Most significant improvement in the segment came from productivity gains in Australia and the benefit of volume leverage. The International segment will spend significant energy on the integration of the Westfalia business to realize the identified synergies that Mark discussed. In addition, the segment will continue to focus on OE program launches across the region while accelerating manufacturing productivity and integration activities. Managing growth in South Africa also remains a critical focus area for the team.

Slide 14 is a view of our leverage and liquidity. As of September 30, we had approximately $117.4 million in total liquidity, an increase of $19.3 million compared to the third quarter of 2015. Our leverage ratio of 2.7 times represents a reduction of more than one full turn since our launch. With the incremental debt related to Westfalia acquisition, we anticipate our leverage ratio at the end of 2016 to approximate the level at the time we launched as a public company.

In addition, the health of our working capital position has improved compared to the third quarter of 2015. We improved the velocity on our inventory by six days reflecting more normalized customer demand patterns, improved distribution network efficiency and a reduction of inventory in transit that exists in the prior year as the results of a West Coast post strike. Accounts payable and receivables days were relatively flat over the third quarter of 2015. These items reflect our management's ability to execute on our key financial and strategic priorities.

In closing, I'd like to leave you with three takeaways from our financial performance. First, the timing of segment operating profit in 2016 is more in line with our historical pattern and that reflected in 2015. In spite of the impact this had on our top line, both of our segments generated improved operating profit margins reflective of the execution of margin initiatives we present every quarter. Second, the acquisition of Westfalia has further convinced us that commercial opportunities exist across all regions in which we operate and the benefits of working as one global team will continue to generate new program and new customer wins.

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

If you'll turn to slide 15, I will turn it back over to Mark who will cover our long-term goals, discuss our full year guidance and wrap up our prepared remarks. Mark.

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

Thanks, Dave. Please turn to slide 16. 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 out on this page are an expression of our vision for the company, increased profit and substantial cash flow to support continued growth, all while growing faster than the market and being an employer of choice.

With the Westfalia transaction, we are well on our way to that $1 billion in sales and have a clear path to our cash flow and profitability goals. We're also aligning our team to be able to achieve these goals. We added a CIO, Ruthanne Largent, who has significant experience in cyber security leadership, IT infrastructure and process management. We also added a Director of Global Sourcing, [ph] Sanjay Bava (20:40) specifically to address sourcing for all of our European operations. In addition, Denise Ilitch was elected as Independent co-Chair of our Board. Sam Valenti, our previous co-Chair continues to serve on the Board. I would like to thank Sam for his vision and mentoring during our incubational launch. His counsel was invaluable. I remain co-Chair of the Board and look forward to working with Denise in her new role. We'll update our long-term strategic plan over the course of next few months, laying the foundation to grow beyond the products and services we provide today and expanding our relevance to the market through new technologies and adjacent opportunities. We look forward to communicating our plans with you in 2017.

So, with that in mind, let's turn to slide 17 to discuss our outlook. Given our performance year-to-date, we're increasing our guidance for the core business for the remainder of the year. Note the implications and impact of Westfalia operations for the fourth quarter are not contemplated in our guidance. The structure of our guidance really talks to the [ph] business (21:53) improvement we expect to see for the year. We still expect to see growth of 3% to 5% in a constant currency, gaining share and winning programs along the way. We now think segment operating profit will improve 130 basis points to 150 basis points, up from 100 basis points.

This income growth will more than offset our full year level of interest in standalone corporate costs. We expect to convert operating cash in excess of 2 times net income, given our efficient working capital management and improved profitability. We're updating our tax guidance as well. Our tax rate for 2016 is now expected to be between 9% and 12%, as a result of the transactional cost incurred.

Wrapping up on slide 18, we delivered a significant improvement in segment operating profit, operating cash flow and leverage reduction. We're making progress on our growth initiatives with our OE and e-commerce strategies driving sales growth year-to-date. The Westfalia integration is on track and we'll begin to announce specific actions over the course of the next six months.

We're excited about the opportunities ahead, even with the uncertainty in consumer confidence in this election season. We remain committed to increasing shareholder value as demonstrated by our results. We continue to make progress on our key financial priorities. Our team is aligned and engaged at all levels to deliver this performance and our investment in the strategy, and structure of our global OE organization is resulting in program wins and the integration of Westfalia will only strengthen our OE business.

I would like to welcome our new teammates and thank our employees across the globe, as they continue to satisfy customers and deliver on our margin initiatives. Thank you to all of our stakeholders for their support and making Horizon Global a better company.

At this point, we will gladly take your questions.

QUESTION AND ANSWER SECTION

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

<Q – Matt Koranda – ROTH Capital Partners LLC>: Morning, guys. Thanks for taking the questions.

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

<Q – Matt Koranda – ROTH Capital Partners LLC>: [indiscernible] (24:38). Just wanted to start off with retail channels, was there any particular weakness in any one segment of retail, guys, like so if you bracketed out for automotive retailers big-box, et cetera. Or was it essentially just across the board and then how do you square that with [ph] systems (24:55) – with the OE channel strength which is arguably ultimately consumer driven as well?

<A – Mark Zeffiro – Horizon Global Corp.>: Yeah, for sure, Matt. That's a very thoughtful question. I would tell you this is that, when you look at our retail partners, not everybody implemented a new fulfillment system. So those that are talking about that in their own earnings releases, you can quickly understand who they are. I would tell you that the strongest performers have been the home and hardware channels in terms of that relative volume. And how we square that with OE is recognize – we didn't have a purposeful strategy 18 months ago, and in terms of how we were going to penetrate the OE related efforts.

We were fighting the fight on a day-to-day, hand-to-hand basis. I would tell you that our ability to grow within that segments has been – if we'll only support it by the fact that we're actually dealing with customers in a more professional fashion, and we're dealing with customers in a way in which they expect us to deal with them.

I'd add one more thing there, Matt, is that there is a shift and there is a mix shift of vehicles. And then it's less, [ph] if, are (26:12) pronounced here in the United States, but more pronounced outside of the United States where the shift between traditional, if you will, cars, if you will – sedans, if you will, to that of CUVs, SUVs and trucks. And we're seeing that portion of the segment continue to grow more quickly. Either A, through utilization of those kinds of vehicles and it's really cannibalizing the other side of, if you will, production.

<Q – Matt Koranda – ROTH Capital Partners LLC>: Okay, that's helpful. Thanks Mark. And then in terms of guidance, the segment guidance obviously looking good, a 130 to 150 basis points of segment margin improvement, but that still implies in Q4, that segment margins in both Horizon and International might be down year-over-year. Should they be down just given the margin expansion programs that you guys have [indiscernible] (27:10), maybe just talk a little bit about that, is it – implies to – resonates to Q4 specifically?

<A – Dave Rice – Horizon Global Corp.>: Yeah. Matt, I would tell you this really goes back more to what we've talked about in terms of a normal distribution of our activities throughout the year. We had an unusually strong Q4 last year. And so if you [ph] box (27:29) where we are year-to-date with the guidance we're giving for the full year, it does reflect how we view Q4 coming in.

<A – Mark Zeffiro – Horizon Global Corp.>: I'd also encourage you to go back out to the Q – as it relates to, actually and this would have been the K as it relates to Q4 performance. Last year, there was nearly $2 million worth of things that were good guys, that came our way as a result of either, if you will, baseline activities in terms of rolling out of the spin and not everything coming out of the spin was a challenge.

<Q – Matt Koranda – ROTH Capital Partners LLC>: [ph] Yes, it has (28:07).

<A – Mark Zeffiro – Horizon Global Corp.>: Also, the other implication here is, is that you've got overall increased interest costs, and also let's be clear that, that obviously wasn't contemplated in the original conversation as we entered the year, we'll be carrying obviously a significant amount more debt for the quarter here as a result of the Westfalia transaction, and what's interesting is you also heard my comments towards the – between 9% and 12% in terms of the tax rates, so we've got a push and a pull there.

<Q – Matt Koranda – ROTH Capital Partners LLC>: Okay. That [indiscernible] (28:41). Just on Westfalia, for a moment, I think you guys highlighted $10 million in synergies in year one relative to the purposes of [indiscernible] (28:48) 2017. Does that imply that Westfalia could be doing roughly $29 million on EBITDA in 2017, I know that there were kind of on $19 million run-rate. And then maybe just could you highlight them with more granularity of the sources for that $10 million, is that all cost driven like you've mentioned on the last call?

<A – Mark Zeffiro – Horizon Global Corp.>: Let me even back up a little bit. For those that are new as to the conversation, the Westfalia business obviously – we'll present an 8-K with their view towards GAAP related financials. Of course, when we did the deal we provided financial statements as they stood supporting the acquisition. That's a reference point, Matt, as making there in terms of the EBITDA that was being generated by the business at that point in time.

When we go through that process you'll see an incremental step in terms of profitability out of that Westfalia oriented business of $10 million, and that comes in the form of all your usual flavors. And you're right, Matt, we're not contemplating new upticks in commercial synergies; I think we need to keep that in our pocket as we go to our customers and learn how we can better support them on a global scale.

So, it's all things considered and the five workstreams are out there, and in terms of clarity it's coming from plants – effectiveness associated with plants, it's coming from sourcing synergies, it's coming from organizational duplication and being more efficient in that respect. So, it's all the usual [indiscernible] (30:27). So they're not changing our views towards those workstreams. And in fact, I would tell you, what we're finding is not less, but more synergies. The question is sequencing and frankly timescale associated with some of them. Certain things they get accelerated, certain things may slide them from the timing, but we stay and firm in that $10 million incremental synergy gain in 2017.

<A – Dave Rice – Horizon Global Corp.>: Yeah. Matt, I just want to add one thing, the math of just taking the $19 million we talked about in the business as earnings, but the $10 million doesn't contemplate purchase accounting. So there is going to be amortization over that and that sort of things. So you just got to be careful of doing straight math to get to the endgame number. And that's what we don't know in detail today.

<Q – Matt Koranda – ROTH Capital Partners LLC>: Got it. Okay. That's helpful. Any sense for December when you guys will have that purchase accounting to live by and the 8-K and everything?

<A – Mark Zeffiro – Horizon Global Corp.>: The 8-K will be in probably mid-December some time. The actual date it has to be done is December 21. The purchase accounting will be included in our 8-K, so we'll be – I'm sorry not in our 8-K, in our 10-K so we'll talk about it with our year-end financial statement.

<Q – Matt Koranda – ROTH Capital Partners LLC>: Okay, got it. And then, anyway you guys can kind of help us thinking about seasonality in Westfalia as we start to model the impact in Q4?

<A – Mark Zeffiro – Horizon Global Corp.>: You know, I'd love to say that we know this business as well as we know the rest of our business. It is a less seasonal business for us. So it's going to mute the implications of front half, back half profitability and sales trends. But I would say, it's not going to make us 25% every quarter, it will just be less drastic than what we are today.

<A – Dave Rice – Horizon Global Corp.>: Yes. So the aftermarket piece of their business is something we are still trying to understand from a seasonality perspective. The OE side, which as you know, is the majority of their sales activity. Really the way we're thinking about that is in terms of production and sales days in the quarter. So Q4 is going to be a slower quarter for them because you've got holidays in the quarter. That's how we're thinking about it today. But we continue to learn more all the time about the business.

<Q – Matt Koranda – ROTH Capital Partners LLC>: Okay, got it. Maybe one last one for me, if I can squeeze one in here. 3.7% of sales, I think, was the corporate OpEx. Is that sort of the new run-rate that we should be completing or was that just elevated given the ERP implementation and everything you have going on there?

<A – Mark Zeffiro – Horizon Global Corp.>: I would tell you that there were some decisions that we chose to accelerate into 2016 based upon our outlooks around, be able to put the structures in place so we can leverage those investments in 2017. Part of it being, for example, the addition of a CIO and the ERP implementation as part and parcel of that. I would tell you, 3.7% is not where we're going to run the company. We'll get significant leverage associated with the obvious new incremental sales from Westfalia as well as other related growth initiatives in the company. So we're still targeting that leading [ph] digit two (33:43) as part and parcel of our SG&A as a percent of overall corporate sales.

There is one other thing that you need to put in context. Our shareholders, I would hope that everybody that's tuned in has experienced the benefits associated with our share price running and obviously being at circa $20 today. That clearly has an effect on certain of the compensation programs that are in place. And quite frankly, that's a little bit of a disproportionate hit we took in Q3 as well.

<Q – Matt Koranda – ROTH Capital Partners LLC>: Okay got it. Thanks for the clarity on that Mark. I'll jump back in queue guys. Thank you.

<A – Mark Zeffiro – Horizon Global Corp.>: [indiscernible] (34:25), Matt.

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

<Q – Robert Majek – CJS Securities, Inc.>: Good morning. Congrats on the quarter.

<A – Mark Zeffiro – Horizon Global Corp.>: Thanks Robert.

<A – Dave Rice – Horizon Global Corp.>: Thank you.

<Q – Robert Majek – CJS Securities, Inc.>: On your tax rate guidance for the year of 9% to 12%, can you just give us a little more color on what's behind the drop there, and then more importantly, how sustainable is this lower grade going forward over the next few years?

<A – Dave Rice – Horizon Global Corp.>: Yes. So actually it's a raise. What we have talked about when we did our Q2 earnings was the tax rate not greater than 5% for the year on a full basis. And then the math behind that is that we use a planning rate of about 20% and then we had some UTBs that flipped this year and that's why we guided to the 5%. It also is driven by a shift in where income is earning. So that's why it can move a little bit.

But the raise for the 9% to 12% is completely associated with the Westfalia transaction and the non-deductibility of cost that we incurred to complete that transaction. So it distorts the relationship between how we generally earn income in our tax rate.

<Q – Robert Majek – CJS Securities, Inc.>: [indiscernible] (35:30).

<A – Dave Rice – Horizon Global Corp.>: And then...

<Q – Robert Majek – CJS Securities, Inc.>: I'm sorry, go on.

<A – Dave Rice – Horizon Global Corp.>: I was going to say, does the last part of your question was going forward. We still think about the base Horizon business as a 20% or so tax rate, but Westfalia today we're thinking about in terms of 30%. So how that blends together is something that we'll be able to share more granularly as we talk about our outlook on 2017 next year.

<Q – Robert Majek – CJS Securities, Inc.>: That's helpful. Thank you. And following up on a previous question, it's great to see that you're kind of on track to achieve the $10 million synergy goal for 2017. Just looking out a bit further, can you discuss what your 2018 target may be and how we get there?

<A – Dave Rice – Horizon Global Corp.>: We really can't, that the timing – we're still working obviously on the 2017 pieces. But what we did talk about with Westfalia is the decrease in the multiple we pay down to that, four times or so. So the timing of that between 2018 and 2019 is something we're still working on.

<A – Mark Zeffiro – Horizon Global Corp.>: Yeah. It's a good question, Robert. When we think about it, we're feeling certain things that are going to advance, that were unplanned from a synergy perspective, and it's giving us, if you will, greater opportunity to look more holistically at the business. It's one thing to have synergy plans that you're working at in a diligence room and through conversations with the [ph] management (36:54), as we're going through that diligent process.

Day one, Paul Caruso and his entire leadership team actually lined out workstream-by-workstream, work center-by-work center, what it is that they needed to go and get done. And what was fantastic to hear was they had – the management team at Westfalia had additional non-contemplated ideas as to how they could be more efficient. And it wasn't just, your traditional, let's go, sell more of this stuff in the United States, it was really about cost structures and how we can leverage our practices on a more global basis, whether it's your best practice sharing or otherwise.

So, more to come, let's celebrate 2017. When we get there, I would tell you that. In order for us to get to a $10 million run-rate, you're going to have to run at more than $10 million. So the implication obviously is you're going to have carryover effect in terms of 2018. And I would tell you that 2018 is going to be an important year and probably larger in terms of relative savings given what we know right now, given what's ahead of us.

<Q – Robert Majek – CJS Securities, Inc.>: That's helpful. Thank you. And just lastly for me. Can you just quantify your volume changes by channel so we could get a better sense of the trends in each?

<A – Dave Rice – Horizon Global Corp.>: So, let's see. So when we talked about it overall, OE is clearly what's the driving the top line on a global basis. So that's where we're seeing more consistent wins. The majority of the growth in the International market was all OE driven, and probably half of what mitigated the timing change in North America was OE driven.

<Q – Robert Majek – CJS Securities, Inc.>: So [indiscernible] (38:50)...

<A – Mark Zeffiro – Horizon Global Corp.>: Let me help you here a little bit, Robert.

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

<A – Mark Zeffiro – Horizon Global Corp.>: When you think about our markets, this is something that we don't traditionally talk about channel-by-channel, we try to give you a sense as to what's happening within those channels and give you some highlights associated with it. So when you think about the OE business, that's clearly growing double digits, as I made mention e-commerce was 24% up from – competing on a quarter that was up more than 40% and we felt softness in the retail side of the business with a slight retreat, and that was really driven by areas really focused around fulfillment systems being implemented, and as well as some, if you will, inventory management by certain of our customers.

I would tell you that, that is holistically where this is coming from. In terms of relative magnitude, the biggest contributor by a significant amount is our OE growth. And the largest detractor would be – obviously just be as the size of the business is the U.S. retail business, in terms of that retreat.

Distribution [indiscernible] (40:00), there was a little bit of uptick with some of the bigger customers offset by some of the shortfalls by smaller customers. As I made mention, the cannibalization of certain of their sales as well as the pressures, if you will, in terms of channel competition. So it's something that I think is ahead of us as we start to talk about the business, not just regionally but also by channel.

<Q – Robert Majek – CJS Securities, Inc.>: Okay, and thank you for that additional color. I'll jump back in the queue.

<A – Mark Zeffiro – Horizon Global Corp.>: Thank you, Robert.

Operator: Our next question comes from the line of Walter Liptak of Seaport Global.

<Q – Walt Liptak – Seaport Global Securities LLC>: I had couple of questions, I guess, follow-ups. On the corporate expense, corporate expenses look like they were about a little bit over $1 million, higher than we were expecting. And I wonder if you could quantify for us, was that about the amount that, when you look at extra deal cost and the ERP implementation. Does that flow through corporate expense?

<A – Mark Zeffiro – Horizon Global Corp.>: In this case, Walt, it's the two things that we mentioned. Obviously, some additional staff in the quarter, as well as the effects associated with certain of our incentive programs and having to recognize the uptick in terms of relative equity value. So I would tell you that those are, one you digest as part and parcel of the leverage of your overall structural cost, the other obviously is an uptick as a result of where the traded value of the company is.

I would tell you that we, from a recurring perspective, gave you views towards SG&A with and without the transaction cost, so you should be able to see that in the footnotes associates with the earnings release. And I would add just one other thing is that all other spend in large part is in line with what we expected.

<Q – Walt Liptak – Seaport Global Securities LLC>: Okay. Can you quantify staff and the incentive then?

<A – Mark Zeffiro – Horizon Global Corp.>: It basically makes up about your $1 million between a couple of those things.

<A – Dave Rice – Horizon Global Corp.>: Those are the really the variances, Walt, the 3.7% I talked about excludes the $4.6 million of transaction cost, we pulled that out for discussion purposes.

<Q – Walt Liptak – Seaport Global Securities LLC>: Oh yeah, I didn't know if there was – in that corporate expense line, if there was – non – things may be travels, hotels, things that you couldn't include in expense.

<A – Dave Rice – Horizon Global Corp.>: Those can be some of that, Walt, but I wouldn't consider it the lion's share. So if you break it out, you'd have the implications of some incremental staff, the two positions I made mention. As well as some of that additional travel cost spend, that's $100,000. I mean, it's 10% of that variance, so it's [ph] insignificant (42:51) in that context, but that's kind of the contributors associated with that variance.

<Q – Walt Liptak – Seaport Global Securities LLC>: Okay, great. And then, the cash flow working capital was very good this quarter. What are you thinking about for the fourth quarter, will you get a working capital cash inflow because of some of the productivity and focus there?

<A – Dave Rice – Horizon Global Corp.>: We'll get the productivity gains continue to come to the income side. What I would say as typically what you see in Q4 is inventory will probably be relatively flat, and AR is what drops and that's what generates the working capital that we get in Q4 because the sales volume obviously is lower in Q4.

<Q – Walt Liptak – Seaport Global Securities LLC>: Okay. Maybe I can ask the question this way. What do you – we can model it out, but what's your number for where you think you'll end with debt at the end of December, including the new debt from Westfalia?

<A – Dave Rice – Horizon Global Corp.>: I've given you where I think we'll land from a ratio perspective, a leverage ratio perspective, but we're not giving specific numbers at this point on the pieces.

<Q – Walt Liptak – Seaport Global Securities LLC>: Okay. All right. Fair enough. And, you talked a little bit about the growth in OE, I wonder if you can give us an idea of what kind of impact that that might have on 2017? The core Horizon Global business, will that get growth as a result of OE growth and Westfalia, do they have projects and new programs that will provide [ph] early (44:36) growth?

<A – Mark Zeffiro – Horizon Global Corp.>: That's a great question. When we get to 2017 guidance, we'll obviously go a lot deeper. Our strategic objectives are our long-term views here, that we can grow this business 3% to 5% on an organic basis and all those wins are going to make sure that we can deliver on that continued objective. So, if you're to think about all the things that we've made mention of, it's – the numbers, in terms of a number of new programs and how quickly they're ramping, you can go through our previous earnings. But I would tell you this is that there's a good chunk of top line growth, and let's call it between – let's call it about $30 million that you'd expect to see as a result of these programmatic wins as well as other related wins within the OE segment.

So, it's going to be the largest contributor to our growth. More to come in terms of the Westfalia implications of that, and we'll obviously get much more granular as the year comes to an end and we have clarity around order volumes and the like from our OE partners.

<Q – Walt Liptak – Seaport Global Securities LLC>: Okay, great. I'd like to ask just a couple on fourth quarter revenue. You called out maybe some consumer disruptions because of the election that we could all understand that, but it's also been a warmer weather, and I'm wondering if you're getting any like distributor or channel partners doing [ph] unseasonal reorders (46:05)?

<A – Dave Rice – Horizon Global Corp.>: That was part and parcel of the historical practice. No. We're not really seeing anything other than people being very mindful of their inventory levels. And, being, if you will, just conservative with their spending of cash towards those inventory elements within their business. So, nothing unusual at this point.

<Q – Walt Liptak – Seaport Global Securities LLC>: Okay. Okay, great. And when you talked about the revenue from Westfalia, should we just take that run-rate of revenue that we're expecting and divide by four or we think that it's going to be below that for seasonal reasons or whatever in the fourth quarter?

<A – Mark Zeffiro – Horizon Global Corp.>: As Dave made mention, we're going to come out with the K that will provide a view here towards the middle of December around the actual financial results on a U.S. GAAP related basis. I would tell you that if you think about Q4, there's less production days from an OE perspective for this business. So you can do your structural math saying it's much heavily weighted towards OEs, and therefore you should see a relative haircut in terms of relative volumes in Q4.

We haven't heard of any specific dislocation in any of the major customers out of Europe around slowdowns in production or anything like that. So I would tell you that, that run-rate analysis that you're thinking about doing, just make sure you think through the number of productive days because you're getting towards the end of the year. So there is some seasonality, as you close out – and through the holidays and the like.

<Q – Walt Liptak – Seaport Global Securities LLC>: Okay. All right. Thanks for that. And just one last one on the fulfillment system that you called out, is there more to come in the fourth quarter from that retail customer? Maybe more delays in stocking or structuring?

<A – Mark Zeffiro – Horizon Global Corp.>: I would [ph] submit (48:14) this is that I look towards 2017 and look towards the order rates that we expect to come out of those customers. It's really too soon to tell in terms of what may transpire here, but let me say this, is it's not every customer, it's just certain customers and I think we're feeling that those systems are getting more naturally used by their purchasing folk, so that they understand they're on shelf as well as their safety stocks.

What we have to do is remain as vigilant as we can with those customers and identify those inventory gaps that they may have and be as thoughtful and helpful as we can around, making sure that they have [ph] useful (49:01) product on shelf for those users. I don't expect any significant or protracted dislocation here. For the most part, these new order systems are actually going to do what I think is healthy and that is better aligned user demand with fulfillment requirements. And that's something that we're particularly adept at doing in terms of making sure that we're aligned with shipping according to real demand.

<Q – Walt Liptak – Seaport Global Securities LLC>: Okay, great. Thanks for taking my question.

<A – Mark Zeffiro – Horizon Global Corp.>: Absolutely, Walt. You have a great day.

<Q – Walt Liptak – Seaport Global Securities LLC>: Thanks a lot.

Operator: Ladies and gentlemen, we've reached the allotted time for questions today. We have time for one more question from the line of Rudy Hokanson of Barrington.

<Q – Rudy Hokanson – Barrington Research Associates, Inc.>: Thank you. I [audio gap] (49:53) just ask a question about your North American segment. I mean, a great deal has been focused on Westfalia and the International. And, I was wondering are there costs synergies there that you're still working on and anything that's measurable. Or should we think of North America right now as having been sort of – I don't want to say maxed out, but as we look at improvements in 2017, the focus of the company is going to be on taking in Westfalia and that that's where we going to see the synergies and your margin improvements?

<A – Mark Zeffiro – Horizon Global Corp.>: Great question, Rudy. The realities of it are – is no, they're not done. There are two areas that I think are still ahead of them. Number one is they need to finish the implementation at [ph] CMS (50:37) and that will give us backroom as well as organizational efficiencies as a result of that system being implemented across both businesses. And that really will eliminate that, if you will, physical or electronic barrier between the two businesses in terms of how they operate.

So John and the team and the team are very much aware of that. And, the second thing that this does as you put all the inventory in one place, so to speak, one logical place, with this implementation of ERP, you can now do a better job of fulfillment. And as in my comments, in my prepared remarks, we'll put a 2017 distribution footprint optimization program on the deck for -that recognizes one of the next initiatives that John Aleva and the team have there. This team has done a tremendous job in mining the opportunities. And I would tell you that cultural integration and even though that they were the same company, they were two very different businesses in terms of how they went into market.

It's been very much led by his energy and his passion for making this team a great team. And we're seeing the benefits associated with that. And frankly, he's doing a tremendous leadership job for us. So the implication here is that – is we'll have backroom synergies that we've got to go get, basic organizational efficiencies that we've got to go get and the second piece of this is basically a distribution footprint.

Those are two big enough programs that, that's what we should be talking about for North America at this point. And that then also just points to – year two of the plant, Rudy, you know this probably better than most, year two of a plant is a hell of a lot more productive than year one. So, they're going to make sure that that Reynosa business now that it's got enough production history associated with the [indiscernible] 52:34 products and the [indiscernible] 52:35 volumes, we're going to see obviously significant efficiencies out of the Reynosa team.

<Q – Rudy Hokanson – Barrington Research Associates, Inc.>: Can I just ask, I mean this is sort of a straight math question? Out of your $10 million in synergies expected in 2017, and realizing this isn't from the first quarter and through the fourth quarter [ph] and even (52:53) amounts or anything, but roughly what percentage of the $10 million would you attribute to North America?

<A – Mark Zeffiro – Horizon Global Corp.>: That's zero.

<Q – Rudy Hokanson – Barrington Research Associates, Inc.>: Yeah.

<A – Mark Zeffiro – Horizon Global Corp.>: That is purely Westfalia and the implementation of synergies for Europe.

<Q – Rudy Hokanson – Barrington Research Associates, Inc.>: Okay. So, you're keeping the powder dry? Or you're leaving stuff to surprise us [indiscernible] (53:20) 2017?

<A – Mark Zeffiro – Horizon Global Corp.>: You bet, yeah. We haven't talked about our guidance for 2017, but this is going to be a tremendous year ahead of us. I'm looking forward to it. We will have otherwise absorbed our corporate structure, we'll have absorbed our full year interest rates and interest costs as a company and we'll see yet even better EPS leverage in terms of 2017.

<Q – Rudy Hokanson – Barrington Research Associates, Inc.>: Okay. Thank you. Those were my questions.

<A – Mark Zeffiro – Horizon Global Corp.>: Thank you, Rudy.

Operator: That was our final question. And I'll turn the floor back over to management for an additional or closing remark.

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

This is Mark. And the reality of this is just I'm incredibly passionate about this business. And it's driven not just by me, it's driven by an entire staff that sees change as an opportunity, not a threat.

We, as an organization, have taken on tremendous change in the last year, establishing us as a real standalone business and putting results up that all should be proud of. That excitement will continue. That passion for change and that passion for improvement in the business is what drives us all to make our business better each and every day. I want to thank everybody for their hard work. And thank you for your attention today.

Operator: Thank you ladies and gentlemen; that does conclude today's Horizon Global's third quarter 2016 earnings call. You may now disconnect, and have a wonderful day.