

## — PARTICIPANTS

### Corporate Participants

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**Christi Cowdin** – Director-Communications & Investor Relations, Horizon Global Corp.

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

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

### Other Participants

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**Matt Koranda** – Analyst, ROTH Capital Partners LLC

**Austin Drake** – Analyst, B. Riley FBR, Inc.

## — MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to Horizon Global's First Quarter 2018 Conference Call. My name is Melissa, and I will be your conference operator today. 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 introduce Ms. Christi Cowdin, Director of Corporate Communications and Investor Relations for Horizon Global. Ms. Cowdin, you may proceed.

### **Christi Cowdin, Director-Communications & Investor Relations, Horizon Global Corp.**

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Thank you, Melissa. Good morning, everyone, and welcome to our first quarter 2018 conference call and webcast. On the call today are Mark Zeffiro, our President and CEO; and David Rice, our Chief Financial Officer. Earlier this morning, we announced our first quarter 2018 results. Our release is available on many news sites, as well as in the Investor Relations section of our website at [horizonglobal.com](http://horizonglobal.com). Turning to slide 2, I'd like to remind you that statements in today's presentation will include our views about Horizon Global's future performance which constitute forward-looking statement. These statements are subject to risks and uncertainties that could cause our actual results to differ materially from the forward-looking 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 filings with the Securities and Exchange Commission. Today's presentation also includes several non-GAAP disclosures. These disclosures are reconciled to GAAP in the appendices for quarterly press release and presentation; both of which are available in the Investor Relations section of our website at [horizonglobal.com](http://horizonglobal.com).

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

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

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Thank you, Christi, and good morning, everyone, and thanks for joining us on this morning's call. The entire Horizon Global team is hard at work intently focused on executing our targeted action plan. A plan we presented on March 1 to address challenges in our operations and drive business improvement initiatives across our organization. Since that time, we've advanced our targeted

action plan making progress on various key initiatives. We are still early in the execution timeline with much work ahead. We address each day with a sense of urgency to perform for our customers and create shareholder value. We are now early in the second quarter, historically, our largest and most profitable quarter for the year. Execution during the second quarter plays a meaningful role in achieving our full year performance goals, and notably the performance of our Americas business during this period will be a major driver of our consolidated performance.

I will be taking a deeper dive into multiple elements of our action plan in just a few minutes. But first I'd like to remind you of our vision as shown on slide 4, a vision that frames our approach to everything we do as a company. The Horizon Global vision is the lens we use daily across our global operations. We live it in the halls of all of our facilities. Use it as an opening frame for team meetings and also use it with our customers and stakeholders to keep help communicate who we are and what we do. And that is, empowering people to live, work, and play. It influences the channels in which we participate, captures how our customers and end users employ our products, and shapes the market opportunities we have around the world as we develop new solutions for our existing and future customers.

Let's turn to slide 5 and take a look at some of the trends we're seeing in the industry as well as our related performance in the first quarter. We faced a mixed bag of macro factors in the first quarter. [ph] Sales (00:04:02) was up in the latest reported figures, and we continue to see OE growth in geographic regions where Horizon does business. The retail trend towards e-commerce continues to bring pressure on customers and competitors in both aftermarket and retail channels. Consumer confidence increased in April after a bit of a step back in March. We see a bit of an overall economic dampening effect due to uncertainty around U.S. trade policies. The late start to spring weather is impacting both the work and play sides of our business.

From a commodity standpoint, we continue to see upward pressure on steel prices. That is in turn putting pressure on our margin performance. Across the industrial landscape, we see freight costs increasing and that continues to be an upward trend across multiple geographies. In addition, we see construction and carrier capacity across the U.S. We'll continue to find ways to either benefit from or offset these and other factors through the execution of our action plan, which we'll discuss shortly. Where possible, we'll continue to institute price increases as appropriate across the business. If we take a look at the financial performance in Q1, the reported results were significantly impacted by a non-cash impairment of goodwill in the Europe-Africa segment. This does not affect our results on an adjusted basis, and Dave will provide you more details surrounding this in just a few minutes.

Q1 adjusted financial performance, this is how we speak to our results throughout the presentation, was consistent with our internal expectations, but not what we expect the results to be going forward. We spent a great deal of time on our March call outlining the impacts to the business, and they are both internal and external factors affecting our performance. Externally, we saw continuing pressure from commodity costs and freight capacity construction, while internally we're working through our distribution consolidation and having some difficulty meeting this seasonal demand of our retail and aftermarket customers, a situation we are keenly aware of and focused on resolving as quickly as possible to redefine set of actions. With that in context, we are encouraged that our financial results for the first quarter were consistent with our expectations and underpin our guidance for the full year.

They will be taking you through a detailed review of our financial performance in a few moments. So I'll highlight a few items here. Consolidated revenue was up mid single-digit, 6.6%, and OE gains in the period continued. The company received 29 new awards. Those are new awards to us, not replacement awards, represent a full year run rate in excess of \$40 million. We also made solid progress on our action plan which I'll detail momentarily, and we remain on track to deliver 2018 guidance of 3% to 5% revenue growth in adjusted operating profit and adjusted earnings per share, both growing faster than that.

Now turning to slide 5, we announced on March 1 our targeted action plan, a plan designed to address, identify challenges in our business head on. We believe our action plan is achievable, and we'll deliver the intended benefits to our operations. We anticipate that the actual plan will provide financial benefit to the organization with an expected \$3 million to \$5 million benefit in 2018, and a full run rate effect benefit of \$10 million to \$12 million once all the elements of the plan are realized. Each quarter, we intend to provide you a review of the steps taken in the business and status of the projects. Let's start with the Americas. We have a new leader in place in the Americas since February.

Carl Bizon and the rest of his team manage Americas, Americas management team hit the ground running on multiple initiatives to integrate the business, improving manufacturing and distribution operations and right-size the team and its support functions. In early April, we announced the detailed plan for restructuring the Americas segment to all employees. We are consolidating three U.S. offices into a single location in Plymouth, Michigan. This involves closing both the Mosinee, Wisconsin and Solon, Ohio locations by the end of Q3. Also part of this restructuring plan, we announced that we would be de-levering the organization. We have exceeded the scope of our earlier target, and will be reducing the U.S. salaried workforce by approximately 30%.

Importantly, this new vision for the structure of the Americas complements our recent efforts to better align our own sales and product development teams with the needs of our customer set and related, yet distinct sales channels. As for Kansas City Distribution Center, shipping rates continue to improve, and preparation for the planned automation system is well underway. This DC is beginning the integration of our Dallas distribution activity in the coming weeks. We deployed experienced leadership to this facility which has improved visibility of shipments required for customers, while improving the total system is currently operating at lower than required fulfillment rates, a condition that is the central focus of our improvement. We are not yet where we need to be regarding the operations of the Kansas City facility, but we continue to make progress. While the facility throughout the quarter was below the required levels, we've seen an average daily shipments steadily improve across the quarter.

We're also seeing greater stability in employment as the local workforce becomes more experienced with the demands and requirements of our business. Integrating the Dallas activity into Kansas City during May is the next big step in the execution of our distribution strategy, resulting in one central hub for all of our sales channels except OE. Another significant initiative for the Americas is improving production in our Reynosa, Mexico metals manufacturing facility. The inefficiencies that took hold in 2017 are showing signs of improvement, as we gain momentum in the first quarter. Specifically, we're showing a year-to-date improvement of 19% in cost per earned hour and double-digit improvement in plant output over 2017 levels.

I'll now shift gears to update you on the Europe-Africa actions. Early in the year, the Europe-Africa team conducted an internal cost study to identify opportunities for improvement in the areas of warehousing and logistics. This cost savings project is underway and initial steps are being taken to streamline the efficiency, speed, and reach of our European logistics process. We are in the process of negotiating freight and warehousing contracts that will benefit the Europe-Africa cost structure. As we discussed in prior quarters, the ongoing transition to low-cost country manufacturing operations is a crucial element to the Europe-Africa segment's business model.

We continue to make progress in ramping up our Romania and South Africa facilities. Our first Witter branded products for the UK are on the way to market from our South Africa manufacturing facility. Our Braşov, Romania facility is currently meeting a daily output targets and will have a paint system installed towards the end of 2018 to early 2019, which will reduce the cost of this critical process, as well as improve freight and take days of inventory on hand out of the operation. Last, we continue to show progress on delivering the synergies from our Westfalia integration. The PMO

structure continues to work well, and we remain on track to deliver our expected €8.5 million in 2018 driving the total realized synergy benefits to €18 million.

As you can see on the far right side of the table, we're providing a view as to progress for each initiative, and we'll continue to do so each quarter. We plan to report what is on track ahead of schedule or behind schedule and the progress made as it relates to our internal plan. This is important work that cuts across all levels of the organization. It encompasses nearly every operational discipline. Our strong cultural foundation of one team with one goal is serving us well as we work these initiatives together.

I'm now going to turn the call over to Dave Rice who will discuss our quarterly financial performance.

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

Thanks, Mark. In the commentary to follow, I'll 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 US-GAAP measure. References to earnings per share in my commentary refer to adjusted diluted earnings per share attributable to Horizon Global excluding special items. Cash flow and balance sheet commentary will be on as reported U.S. GAAP basis.

With that, please turn to slide 7 for a discussion of the goodwill impairment recognized in Q1. During the first quarter, we took a non-cash goodwill impairment of \$43.4 million in our Europe-Africa segment. This non-cash impairment which in no way affects the company's ongoing operations, cash flows or 2018 guidance, does reduce reported operating profit, net income and earnings per share on a GAAP basis. We have treated this impairment as a special item for purposes of evaluating the company's operating results and continuing activities. Our stated procedure for evaluating goodwill and indefinite-lived assets involves an annual review as of October 1. More frequent evaluations may be performed if we experience changes in our business climate or as the result of other triggering events.

In our December 31, 2017 Form 10-K, we described an interim test performed on the goodwill of our Europe-Africa segment triggered by a decline in our market capitalization, as well as an underperformance of the segment in the fourth quarter. The results of that analysis was very little cushion in our recorded value of goodwill. During the first quarter of 2018, both internal and external factors triggered the need to perform an interim test of goodwill at March 31, resulting in a non-cash impairment charge in the quarter.

With that, please turn to slide 8 for a summary of our first quarter results. Overall, as Mark mentioned in his comments, performance in the quarter was in line with our expectations as the challenges we faced in the fourth quarter of 2017 continue to impact results. Net sales increased over 6.6% compared to the first quarter of 2017, primarily driven by favorable currency exchange, increased volume in our OE channel, and net sales attributable to Best Bars. These increases were offset by lower volume in our aftermarket and retail channels.

We finished the first quarter with an operating loss of \$2.9 million or \$6.6 million lower than the prior year. This decline reflects continued input cost pressure and advance of price increase realization in both the Americas and Europe-Africa segments. The decline was partially offset by higher sales volumes and operational improvements in Asia-Pacific. Net loss increased to \$8.1 million from \$4.1 million in the prior year reflecting lower operating profit partially offset by a lower income tax benefit in the quarter versus prior year. Loss per share in Q1 was \$0.32 as compared to \$0.17 in 2017.

Through the first quarter, we used \$30.2 million of cash for operating activities compared to \$40.1 million of cash used to the same period of 2017. Our working capital levels in the quarter reflect our seasonal investment ahead of our busy selling season. Efforts to manage working capital during the quarter resulted in a \$22 million reduction in cash used for these activities as compared to 2017. This is a positive result, and one that we anticipated given higher than normal inventory levels at year-end. Total debt increased to \$308.1 million compared to \$280.9 million. However, LTM Bank EBITDA grew \$11.4 million resulting in a decrease in our first quarter leverage ratio to 4.1 times as compared to 4.4 times at the end of the first quarter in 2017.

Please turn to slide 9 for a summary of our segment performance. First quarter net sales in our Americas segment of \$96 million declined \$1.6 million from the prior year. This decrease reflects loss revenue on a comparative basis due to the sale of the Broom & Brush business in the fourth quarter of 2017, as well as lower fulfillment rates to customers in our aftermarket and retail channels as we ramp up the Kansas City distribution center. The Americas operating loss of \$1.2 million represents a decline of \$6.4 million from the first quarter of 2017. Operations were negatively impacted by unfavorable input costs, including commodity costs, which were not offset by pricing realization. Additionally, higher freight cost due to a reduction in carrier capacity negatively impacted results.

Performance of Europe-Africa is highlighted in the middle of the page. Net sales in our Europe-Africa segment increased approximately \$8.5 million, primarily due to favorable currency exchange of \$11 million as the euro strengthened in relation to the U.S. dollar. Net sales in our automotive OE channel increased \$1.5 million. However this was offset by a \$3.5 million decline in the aftermarket channel driven in part by economic weakness in the U.K. and short-term inefficiencies related to our shift of aftermarket production to our low cost facilities in Romania and South Africa.

Operating profit for Europe-Africa decreased to \$70,000 resulting from an unfavorable channel mix and commodity cost increases in advance of pricing realization. The business continues to deliver synergies in connection with the Westfalia integration and is on-track to deliver its full year commitment of €8.5 million. We expect to continue integration in Europe to transform our business in that region and drive margin accretion in future periods. Performance of Asia-Pacific is highlighted on the right side of the page. The Asia-Pacific segment continues to perform well with net sales increasing 19.1% in constant currency. This volume increase reflects strength in all channels in the region, as well as incremental growth resulting from the Best Bars acquisition.

Operating profit increased \$1.3 million to \$4.4 million, compared to the \$3.1 million in the same quarter of 2017. Operating profit margin improved 170 basis points to 13.1% in net sales, compared to 11.4% in the first quarter of 2017. This increase was the result of cost leverage and higher volumes, and the realization of benefits from previously implemented productivity and restructuring initiatives. Slide 10 is a review of our leverage and liquidity. Our net leverage ratio improved to 4.1 times from 4.4 times at the end of the first quarter last year, as consolidated bank EBITDA improved over \$11 million from the prior year. Working capital which we identified as high at year-end declined \$8.2 million from Q1 of 2017 returning to a more expected level at this point in the year. We invested \$22 million less in working capital during the first quarter of 2018 as compared to 2017, which after consideration of our performance in the quarter resulted in a decline in cash used for operations in Q1 by nearly \$10 million.

Our total net debt at the end of the first quarter was \$308 million, an increase of \$27.2 million over the total debt at the end of Q1 2017. This increase reflects short-term borrowing used to support operations due to the low cash generation in the fourth quarter of 2017. We expect the business to generate positive operating cash during the second quarter of 2018, and throughout the balance of the year consistent with our historical business trend. Cash on hand decreased \$3.3 million to \$26.2 million from \$29.6 million at the end of 2017. The cash generation of the business combined with total availability under our revolving credit agreements of \$67 million is expected to provide adequate flexibility for the demands of our business.

In closing, I'd like to leave you with a couple of takeaways from our financial performance in Q1. First, our Global team is executing the targeted action plan that Mark presented earlier. These actions and the ongoing integration work in Europe-Africa set the stage for our margin improvement expectations. Second, our first quarter working capital level demonstrates our emphasis on improved management of this investment. Our organization is aligned and focused on creating value for shareholders through improved operating performance in delevering the business.

Now, if you'll turn to slide 11, I'll turn it back over to Mark to cover our long-term goals and wrap up our prepared comments. Mark?

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

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Thanks, Dave. Here on slide 11, I want to take a moment to reinforce the big picture initiatives we have as an organization. The fundamentals of our business are solid. Truck and SUV sales continue to comprise a greater portion of SAR, and this is further underscored by the market news such as Ford's recent announcement that it will be discontinuing nearly all of its sedan vehicle production. Our brands have achieved market-leading positions in multiple geographies, and our OE business is expanding. The acquisition of Brink, while certainly compelling for many reasons, very nicely complements our efforts in OE with its focus on higher margin OES channel.

As I shared a few minutes ago, our Global team is hard at work to address challenges in the business through multiple initiatives of our targeted action plan. We will continue to hold ourselves accountable to these efforts and will continue providing regular quarterly updates. We have a clear strategy in place in an ever-consolidating industry. We are achieving synergies from our prior acquisitions. Now, this just doesn't mean Westfalia, it also relates to Best Bars acquisition in Asia-Pacific, which is performing well ahead of plan. Additional synergies from our South African acquisition are being realized as we are now manufacturing European-based products in our South African manufacturing facility.

Westfalia integration is on track to achieve cumulative realized synergies of €18 million by the end of 2018. And earlier today, we announced to employees and the [indiscernible] (00:23:04) Rheda-Wiedenbrück, Germany the company's intent to restructure and focus the production operations at that location. This action will result in a reduction in the workforce. We'll share more on this initiative in the near future as we have a tightly prescribed process to follow in Germany.

The next step in our acquisition strategy for Horizon is completing the acquisition of Brink. Subject to ongoing regulatory review and approval, we are committed to closing the Brink acquisition in Q2. This acquisition is strategically and financially compelling, and we expect to drive the expansion and profitability of our Global business over the near, medium and long term. We're confident in our ability to execute the targeted action plan. We understand the challenges in the business, and we're working our action plan to continue the growth path the company has been on for the past couple of years. We are staying focused on delivering near-term results that are measurable and that will position the company to meet its 2018 financial goals. While there is more work to do, we look forward to making progress and sharing our future results as we continue to deliver long term shareholder value.

I'll now turn the call over to the operator so we can take your questions. Operator?

**QUESTION AND ANSWER SECTION**

Operator: [Operator Instructions] And your first question is from Matt Koranda with ROTH Capital.

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

**<Q – Matt Koranda – ROTH Capital Partners LLC>**: So I just wanted to get a sense on slide 6. You list out a number of elements of your targeted action plan. And in the Americas in particular, I know, you guys have called out the \$3 million to \$5 million in sort of incremental savings this year. What's the relative importance between sort of Kansas City, the facility closures and workforce reduction and then the delayering initiatives?

**<A – Mark Zeffiro – Horizon Global Corp.>**: Well. That's a great question Matt. The delayering of the organization we announced here just a bit ago with the teams, the facilities in terms of structurally will be very short-term focused namely here over the next few months by the end of Q2. You'll see those reductions with the full realization happening in Q3. The facility's closures that's more about the fixed overhead side of it in terms of the actual cost of those respective facilities. And Kansas City Distribution Center, this is about really productivity in the quarter and productivity for the remainder of the year as we bring that DC up and running. So if you think about it, one is really about functional cost reduction in the business versus ongoing ability to satisfy and service the business needs in terms of shipments.

**<Q – Matt Koranda – ROTH Capital Partners LLC>**: Okay. Is there a way to quantify though in terms of how they kind of fill that \$3 million to \$5 million in each bucket here?

**<A – Dave Rice – Horizon Global Corp.>**: Well, Matt, we've not broken them down by specific project, but in terms of order of magnitude, once fully implemented, the delevering of the organization and the integration of the business is the largest immediately identifiable cost savings. Obviously, the smooth functioning of our distribution of in Kansas City though has much longer term benefits in terms of customer satisfaction or ability to grow the top line of the business. So it's kind of hard to say what is more important than the other, but in terms of immediate cost benefit, it's the it's the organizational activities that drive the biggest benefit.

**<Q – Matt Koranda – ROTH Capital Partners LLC>**: Okay that's helpful, guys. And then just drilling in on Kansas City I guess. How much overtime and expedited freight was there in the quarter? Could you call that out for us. And then were there customer fines incurred? I'm just trying to get a sense for how much was sort of onetime and contained within Q1, and then how much of that may kind of linger for the remainder of the year and how are we addressing that?

**<A – Dave Rice – Horizon Global Corp.>**: Well so as part of our identification of special items, we did call out unusual costs in the facility, as well as fines and violations that are in excess of the norm, and you'll find those in the appendix to the presentation. So that's been stripped out of the recurring performance. What Mark talked about was continuing improvement now in the throughput in the organizations. It gets better in terms of their products dollar value shipped per day. The system integration issues between our WMS and our ERP system have been resolved. So everything is headed in the right direction. And we've tried to pull out what are very clearly identifiable unique items. Now, that doesn't mean that the DC is operating efficiently yet. So there's still more cost benefit to drive as volume continues to ramp. But you think about it, you have a new DC with new employees new to our products and business, and it's just taking a bit of time for it to become a smoothly operating process.

**<A – Mark Zeffiro – Horizon Global Corp.>**: I was there actually last week, Matt, and the racking is in place to receive Dallas. The structure for the ASRS is largely complete. So the facility is in reasonable order as compared to what it was just a few weeks ago. The other reality is they actually continue to report to me, and obviously to the President of the business their daily relative

sales out of that facility, shipments out of that facility. And we continue to see improvements in throughput. So this facility will continue to ramp throughout the year as we get more experience in the facility, number one, ASRS comes online in the middle of the summer, and they really just improved their workflow within the facility. It's on the recovery at this point in time.

**<Q – Matt Koranda – ROTH Capital Partners LLC>**: Okay. That's encouraging. I just want to make sure I'm clear on what Dave said though, some of the fines will be included in special items. So they're adjusted out. And then in terms of overtime and expedited freight, are those also adjusted?

**<A – Dave Rice – Horizon Global Corp.>**: To the extent that it's clearly identifiable expedited freight relative to the ramp-up, yes. But obviously, we want to be careful about this. We don't want to set ourselves up for an unrealistic portrayal of the operation this year. I mean, it is inefficient, we didn't wipe everything in the special items, but the stuff that's really unique at the beginning of the quarter, for example, where we're doing a lot of expedited freight that has been pulled out.

**<Q – Matt Koranda – ROTH Capital Partners LLC>**: Okay. Got it. And then, I guess, why is it necessary to move the aftermarket distribution during Q2? I mean, it seems like a relatively important season for you guys. Wouldn't it be safer to wait? I mean, does Dallas carrying costs, I mean, is that high enough to warrant doing it during the season? Just curious to get your take on that.

**<A – Mark Zeffiro – Horizon Global Corp.>**: Yeah. There's really two elements of it. Dallas is an exceptionally costly facility for us at this point in time simply because it was at the end of its leasehold improvement, and we're doing everything we can to extend it. If you remember, this was supposed to have been handled almost four or five months ago at this point in time with the execution of the DC and Kansas City. So we're at the end of it, ends up being the issue. And like I said, the racking and structures are available to receive all of the Dallas-related inventory and as such we got to get on with it because we have to exit the facility.

**<Q – Matt Koranda – ROTH Capital Partners LLC>**: Okay. Understandable. And then, just Europe-Africa really quickly, I don't know if I caught it, maybe it was in the presentation, but how much of €8.5 million synergies that are targeted for the year did you achieve in Q1?

**<A – Dave Rice – Horizon Global Corp.>**: €1 million. And it's in one of the appendices. We didn't pull it out and put it up front.

**<Q – Matt Koranda – ROTH Capital Partners LLC>**: Okay. Got it. I know you guys said, Brink probably closes during Q2. Can you give us a little bit more color on sort of the last gating items here or are we in the final stages of approval regulatory-wise? I mean, if it's closing by the end of the quarter that's in the next, call it, month-and-a-half, two months. Are we still on target for that?

**<A – Mark Zeffiro – Horizon Global Corp.>**: Let me try to just – obviously, we can't comment on the [indiscernible] (00:31:50) review, and this is really primarily a German jurisdictional review of the regulatory matters here. We're literally in the details of it right now with them with yet additional information being requested, and we're back and forth with meetings. So we're making progress. The timeline in any one of these processes is considered a second-level review. It is a 90-day clock which basically gives us a timeline in June. In June, we should have clarity on their final disposition. It doesn't mean that they won't extend. It doesn't mean that they won't ask for more time. But that's the time period in which we're clicking to.

**<Q – Matt Koranda – ROTH Capital Partners LLC>**: Okay. Got it, guys. Thanks. I'll leave it there.

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

<A – Dave Rice – Horizon Global Corp.>: Thanks, Matt.

Operator: Your next question is from Austin Drake with B. Riley FBR.

<Q – Austin Drake – B. Riley FBR, Inc.>: Yeah. Good morning, guys. In the aftermarket, can you just go into more detail on the challenges you're facing there, and the actions that are being taken to turn that around?

<A – Dave Rice – Horizon Global Corp.>: So the commentary was really about the U.S. aftermarket, and it dovetails into what Mark talked about. We were supposed to be out of Dallas by the end of Q1. We announced that to the workforce. And what that did was create basically an exodus of a lot of the fulltime employment, and we're staffing the facility with a very high percentage of temps. And the efficiency in that environment is just a lot less. So if he said plainly we're having trouble shipping to the seasonal demand right now, and that's adding urgency to the need to get out of that facility into Kansas City.

<A – Mark Zeffiro – Horizon Global Corp.>: If you think about it to that end, the good news bad news of a kind of a slow start to the season has really kind of helped us a bit. But we're running with about 30% less than run rate facility employment levels in that particular DC, and we're running with a higher proportion of that workforce with temporary employees. So that's what we're talking about in terms of the U.S. aftermarket related shipments. We do have very clear views towards what our back ordered items are. We have that buy facility, they're prioritizing shipments accordingly, and in May we'll see that transition of that inventory to the regional DC in Kansas City.

<A – Dave Rice – Horizon Global Corp.>: Yes. So Austin, just to be clear in that, the reason it's down is internal versus external. So it's not an order pattern problem at this point, although it's too early in the season to be able to call something like that. This is more about the backlog we're carrying out the quarter into Q2.

<Q – Austin Drake – B. Riley FBR, Inc.>: Okay. So with those inefficiencies, there's been some shipments delayed into Q2 probably?

<A – Mark Zeffiro – Horizon Global Corp.>: Exactly right.

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

<Q – Austin Drake – B. Riley FBR, Inc.>: Okay. Got it. And then the retailer stock reduction that we saw last quarter in the Americas, and then retail sales were down again this quarter, are we through that now or do we continue to see that trend?

<A – Mark Zeffiro – Horizon Global Corp.>: Well, I would tell you that the retailer reductions obviously in Q4 were related to basically their need to liquidate inventory according to their own seasonal patterns. So Q2 is going to be the ramp of consumption activity into Q3 for retailers, as well as the season at large.

<Q – Austin Drake – B. Riley FBR, Inc.>: Okay. Got it. So year-over-year we would expect the retail business to grow then?

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

<Q – Austin Drake – B. Riley FBR, Inc.>: Okay. And then turning to the material cost increases, do you think that you can offset 100% of what we've seen so far? And then maybe just like a timeline around that, that would be appropriate.

<A – Mark Zeffiro – Horizon Global Corp.>: Well, it's interesting, we've taken price actions a couple of times in the Americas. We've taken targeted price actions and frankly globally as well with yet incremental efforts in Europe that are part and parcel of making that business more profitable in the context of where it should be. So we're going to continue to take rifle shots at this point in time, and quite honestly the shipping costs are really starting to become something that we have to talk about with customers because of reduced U.S. carrier capacity for us to be able to get product to the customers, so more to come on that. At the end of the day though, we owe it also to our customers to be more productive every day. And as such, we can't expect them to just be willingly and desirously accepting obviously price increases. So we've got to do our own work here too to help offset those cost base, partially they're inflicted by our own operation. And when it comes to material we've asked and have asked actions that help us offset a majority of those costs.

<Q – Austin Drake – B. Riley FBR, Inc.>: Okay. Great. Thanks for taking my questions.

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

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

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

Excellent. Thank you, operator. I do want to thank everyone for their attention, and for spending time with us here this morning to listen about our progress around our targeted action plans, as well as the performance of business at large. We stay on track and on target for our committed guidance for the year, as I mentioned in my comments, and look forward to keeping you abreast of our efforts toward making the business more profitable and increasing long-term shareholder value.

Thank you. Bye-bye.

Operator: This concludes today's conference call. You may now disconnect.

#### Disclaimer

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