MANAGEMENT DISCUSSION SECTION

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

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

Unverified Participant

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

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

If you turn to slide 2, I'd like to remind you that the statements in today's presentation will include our views about Horizon Global's future performance which constitute forward-looking statement. These statements are subject to risks and uncertainties that could cause our actual results to differ materially from the forward-looking statement. We've described these risks and uncertainties in our risk factors and other disclosures in the company's most recent Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, and other filings with the Securities and Exchange Commission.

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

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

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

Thank you, Christi.
Good morning everyone and thanks for joining us on our call. We have a great deal of content to cover in today's presentation. And I wanted to begin by reminding everyone of Horizon's vision on slide 4. We've a strong business platform and our brands and leader our leaders in their respective markets. Our vision says – it says the best. We empower people to live, work and play. And the nearly 50/50 split between work and play uses our products and balances our approach to business.

We have a solid business platform one that exists today due to our company's historical focus on growth and the benefits derived from our acquisition strategy. Our financial results certainly demonstrate great improvements over the prior year but fell short below our full year 2017 expectations. We are disappointed with our financial performance for the year and we'll show how we intend to deliver on our commitments in 2018.

Today, we will cover challenges of businesses, actions we will be initiating to address the challenges and improve performance and the path forward for growth profitability and generating long term value for our shareholders.

Turning to slide 5, we have our financial results for 2017. As you can see we achieved notable gains in every measure year-over-year except for cash flow. We'll discuss this in greater detail in a few minutes but it's appropriate to know that the cash flow miss is mostly driven by a sales shortfall in the Americas during Q4. This shortfall increased year end working capital and we fully expect to return to more and more normalized levels of cash flow in 2018. This slide also demonstrates how we measured up against our guidance targets for 2017.
while we made progress on several fronts we're not able to overcome all of the challenges we faced during the year.

We have launched the targeted action plan which we will go through in detail on this call. Our team is 100% accountable for not achieving its targets and our named executive officers were not eligible for any performance bonus compensation in 2017 due to this lower than expected performance and action recommended by me and fully endorsed by our board.

We felt it was important to begin our remarks today by measuring our performance against guidance. As our intent is to clearly communicate management's accountability and importance we place on commitments to shareholders.

As our financial results indicate this was a year of both challenges and achievements. We will first covered the challenges faced by the business and our targeted action plan to improve business performance and financial results in 2018. We'll then spend a few minutes on what went well in 2017. As it is also important not to lose sight of what we accomplished during the year.

While we provide an indication of Q4, 2017 business challenges in our January 25th pre-announcement, slide 6 illustrates further detail regarding the specific issues we experienced in the Americas during 2017 that impacted our consolidated financial results. Some of these were within our control while others were not.

We also review the action plan to address these challenges head on, outlining the steps we have planned to improve our business. For context the Americas segment is currently our largest operating unit and is 10% operating profit business improving from 9.3% in 2015.

One of the actions we took as a public company was to consolidate our Americas manufacturing operations in Reynosa, Mexico and 00:05:59 [indiscernible] facility. We've reaped the benefits of this consolidation, but we had ongoing inefficiencies in Reynosa that were mass because the facility was meeting its commitments in the first half of the year.

This began to change in Q2 of 2017, and then gained momentum in Q3 and Q4. The corporate team kept a close watch on the situation in the Americas manufacturing operations and took quick actions to correct the issues. The launch of the new Kansas City distribution center negatively impacted Q4 performance, as the operating cash at launch were higher than anticipated. Further Q4 shipments were impacted by execution issues at this facility.

The Americas was also impacted by a loss of customer orders that led to a drop in sales and volume. The retail portion of the Americas business was negatively impacted by increased sourcing costs from China both the materials and currency translation in both Q3 and Q4.

The bottom half of the slide outlines our action plan initiatives for the Americas. We believe these actions are achievable and will deliver as the intended benefits to our operations. All these actions cannot be achieved overnight, we are addressing challenges with speed and urgency and we are seeing benefits already.

On January 26th, the day after our pre-announcement, we announced the first leadership change in the Americas segment, bringing in a new leader who knows our company and our customers well and also brings deep experience in towing and trailering industry.

New leadership also brings a proven track record of driving manufacturing efficiencies and profitability, as well as leading successful business integrations. We believe that the Americas segment required a fresh perspective and a new path going forward. We also placed our top corporate operational leader in the Americas to drive process improvement in Reynosa and project leadership for Kansas City. We appointed a new plant manager in Reynosa operations in Q4 who brings successful Big Three automotive experience. It is early days, but we're already seeing measurable production improvement in Reynosa. In addition to support our internal efforts and ensure success, we brought in a leading manufacturing consultant to assist with our improvement efforts.

Our Kansas City distribution center project fell short of implementation expectations and we have acted to make changes in leadership of this project. Since January, the project team has been reporting daily progress which is providing greater visibility across the organization. As noted on this slide, several of these actions have already been instituted and we've identified a general timeline for commencement and completion of the remaining items.

These actions will not only address near-term challenges, but will also be important for long-term ability of the Americas segment to achieve its financial goals. In Q1 2018, we will also begin the process of consolidating non-manufacturing facilities within the Americas. This will have the added benefit of allowing us to delayer the organization and complete the integration of the Americas team.

In Q4, we reorganized the sales team to better align with our customer set and more effectively service channels. While new leadership for the Americas has only been in place a short while, efforts began immediately to assess practices and processes within the organization to ensure we have the most effective, efficient team and organizational structure.

Now let's turn to Europe-Africa on Slide 7. This is a bit of a different story as This is a bit of a different story as the focus is more on the integration of the business – integration and business enhancement. First and foremost, Europe-Africa challenges are related to legacy business of Horizon and we're not specific to Westfalia. For those of you who have followed us – our company for a while, you will likely recall that our Europe-Africa business was once part of a combined international business segment that included Asia-Pacific, Europe and Africa. When Europe-Africa was separated from Asia-Pacific in Q4 2016, the increased visibility showed that the geographic region was not profitable due to its limited scale and relative weak competitive position.

The acquisition of Westfalia brought greater scale and established business – and an established business with innovative products and technologies as well as blue chip customer set. Europe and Africa is focused on going – ongoing efforts to improve the existing business pre-Westfalia and the improvement initiatives our team needs to undertake. Getting into the detail, the team had a plan for 2017 to take out costs of the UK operations by closing the production arm of the Witter business and moving it to our low cost facility in Romania. The cost benefit thesis is still intact, but we chose to protect customers and reduce risk to the Romanian ramp up by delaying the timing of this production shift until Q4 2017.

As is typical for a facility in startup mode, the ramp up phase of production in Romania carries higher production costs, though we expect to see these normalize over time. We also know that price actions to offset material cost increases were delayed due to a carryover process from previous ownership that has now been corrected.

The market and business model in place for the Nordics region impacted profitability both legacy Horizon Europe-Africa business and Westfalia. We continue to work on optimizing the go-to-market strategy for this segment. In our South African operations, expected OE program builds were delayed due to economic weakness in the region, but we have recently seen positive economic signs emerging from the current government transition.

Our action plan for Europe-Africa is centered on business improvement as an intend – and it is intended to address near-term challenges in the business, while also building our business foundation. Our Europe-Africa segment went from a loosely-knit collection of small businesses that accounted for about $50 million in revenue and was losing money to an established leader in the region with after the acquisition of Westfalia.

With great change we expected growing pains for the organization and as issues arose we began gain a number of actions in 2017 as you will now – see noted on the slide. We will continue to execute other important actions in 2018 to solidify this business. We fully expect the Europe-Africa will be a meaningful contributor to our company's long term performance with our low cost manufacturing operations being a crucial element to that contribution.

We made a great deal of progress in ramping up our Romania and South Africa facilities with about 20% of the segments manufactured goods now coming from low cost countries, which compares to the Americas at a 100% and Asia-Pacific at approximately 70%.

The price management function has been centralized for the region to ensure consistency and timely implementation. The team has a plan, they are already – they are ready for execution over the next several quarters that will streamline the efficiency, speed and reach of our European logistics process.
And most importantly, these actions will drive cost savings for the business segment. Focusing on the legacy business in the UK Witter and both Legacy and Westfalia businesses in the Nordics, the team has undertaken several efforts to optimize the businesses including cost reductions and restructuring actions.

We will continue pushing to improve the financial returns of this business or plan to exit the region altogether. Europe-Africa team also enacted a daily cash management call process across the operations to more effectively manage the day-to-day operations of the business. We are seeing additional benefits relating to this process with the team having greater visibility and a deeper cross-functional understanding regarding multiple aspects of the business.

Lastly, we will continue to execute our synergy plan, related specifically to 2018, the ongoing plan related to Westfalia is expected to drive the annual synergy benefit run rate of €18 million from 2017's €9.5 million and we remain on track to deliver that three-year target and the range of €25 million to €27 million.

I'd like to put this in context, that represents about 10% of the acquired sales. We have an established robust integration office and the team have a demonstrated ability to execute projects to drive synergies.

Our team not only knows what to do, but due to our acquisition and successful integration of Westfalia, they have the experience backing them up to get the real work done and ensure success. We have discussed our business platform our 2017 challenges and our targeted action plan, but 2017 was not only marked by challenges. We also saw many achievements that contributed to our foundation going forward, as shown here on slide 8.
contributed to our foundation going forward as shown here on slide 8. We touched on strong revenue increase in our business and while much of the increase was attributable to Westfalia, it is also important to recognize that we expanded other areas of our business notably in the OE and the e-commerce channels, while the Americas certainly experience a great deal of challenges, the

team also achieved notable milestones during the year including a slate of innovative product introductions that were very well received by our customers. For example the New Reese fifth wheel was launched at the November SEMA show receiving rave reviews and yielding strong order rates.

Key OE program wins accelerated our OE business in the Americas with 13 new programs in 2017 with more than $34 million annual revenue run rate. Also the Americas segment portfolio was simplified with the sale of our broom and brush business which we recorded a gain of more than a $1 million on its disposition. Europe and Africa segments achieved profitability for the first time driven by the integration of Westfalia and it exceeded the 2017 synergy target as it enter 2018 with a clear path to get to €18 million run rate by the end of the year.

We also set the stage for furthering our action plan to consolidate production into low cost countries, facilities, while we also increased volume to drive improved cost in the – in this business segment. Asia Pacific results were outstanding. The team executed successfully and over-delivered on nearly every financial target we had for the business in 2017. The tuck-in acquisition of Best Bars gave our business a stronger presence in New Zealand and contributed positively to the annual results of the business.
Industrial sales group triple digits year-over-year primarily driven by sales to a new industrial customer. Also of note, our manufacturing operations in Thailand drove tremendous efficiencies.

Looking at some notable milestones for the company over the two-year calendar year – two calendar years, as a public company on slide 9, we can see that we have made great progress in very – in a very short time.

Measuring our revenue and profitability, we have shown dramatic improvement. Successful integration has been a key element to our company's success and this strategy has produced meaningful results.

We are deep in the integration of Westfalia establishing a significant business platform in Europe and exceeding our first-year synergy plan.

We also achieved a swift integration of Best Bars in the – in Horizon, Asia Pacific. Our leverage ratio is flat with year-end 2015, including the acquisition of Westfalia. And our effective interest rate is declined 400 basis points.

We have completed 10 different facility consolidations throughout our operations including facilities in Mexico, the United States, Europe and Africa. This team has been hard at work since becoming a public company. I'll now turn it over Dave Rice, who'll provide an update on Westfalia integration.

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

Thank you, Mark. Please turn to slide 10 for an update on the Westfalia integration. We are proud to report that the efforts of our team in Europe-Africa to integrate Westfalia and our legacy Horizon businesses, resulted in realized benefits of €9.5 million in 2017, exceeding our first year target by €0.5 million.

In the pursuit of these benefits, the team remains focused on identifying, implementing and completing targeted projects under the work streams identified on the left side of the page. The €9.5 million benefit to 2017 reflects full year €9.5 million benefit to 2017 reflects full year run rate savings in excess of that amount, positioning the team to deliver the cumulative two-year target of €18 million we introduced in our third quarter 2017 earnings call.

As Mark mentioned in his discussion of the Europe-Africa segment's challenges in 2017, the performance shortfall related more to the smaller businesses of legacy Horizon than the acquired Westfalia business. The delayed exit of UK-based manufacturing and the loss generating business in the Nordics partially offset the benefit to the integration work and our financial results. Over the last 15 months, we've established a robust integration team in Europe-Africa, complete with members recruited to the organization specifically because of the skills they have demonstrated in projects like ours. They are focused on driving initiatives to realize the total synergy targets we have communicated for this business.

I'll now turn it back to Mark who will provide an update on the Brink Group acquisition.

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

Thanks, Dave. I think what Dave is just taking you through is a clear indication that we are delivering with respect to Westfalia. Now let's turn to slide 11 and discuss the Brink Group acquisition. As we shared publicly on December 14, 2017, our company entered into a definitive agreement to acquire the Brink Group. The Brink opportunity is very compelling from both a strategic and financial standpoint. With the acquisition, Horizon Global will expand its competitive position as a leading solution provider in the towing and trailering industry, with scale that will allow us to more effectively service our customer needs. This acquisition is expected to have a long-term positive financial impact on our company given Brink's manufacturing innovation, expertise and efficiencies to lower costs. Brink is successful in the independent aftermarket in Europe and this will fill in whitespace in our current business makeup in that region.
whitespace in our current business make-up in that region.

Importantly, Brink also brings to our company access to additional automotive manufacturers and other blue chip customers in Europe that we don't already serve. Brink's focus on higher margin OES side versus OEM also addresses whitespace in our current Europe-Africa business. The acquisition will also provide a leveragable opportunity to enhance our Europe Africa go-to-market strategy with an advanced e-commerce platform. Access to certain IP offers our company a distinct product advantage, an accelerated timeline to enter the market with this product. This IP will also have a meaningful reduction in our development costs over the next two years.

We will also deepen our management expertise, succession planning is part and it's really an active part of our company culture across all levels of the organization and a deep bench adds to our efforts in this area. From a financial perspective, the acquisition is equally compelling. The Brink Group purchase price of €169 million is expected to be approximately six times after accounting for the synergy adjusted EBITDA. Synergies have been identified and our expected range between $10 million to $12 million in annualized benefits once implemented. These synergies are all incremental, I want to repeat that, these synergies are all incremental to those from that of Westfalia.

We have a strong team to lead these projects from our European project management office. While this transaction will increase our leverage in the short-term, we anticipate deleveraging quickly with a leverage ratio well into the 2 through 2020. There have been no changes by the ratings agencies to our corporate credit rating related to this acquisition or the forecast of it It should be noted that like most private equity sales and purchase agreements, our agreement does not contain an absolute right to walk away from the transaction. The acquisition will be a subject to customary regulatory review, and it is expected to close during the second quarter.

We firmly believe that this is an excellent fit as a strategic acquisition. One that will also be create – excuse me accretive to our business in the first full year. This compelling combination provides an established presence in Europe with better balanced product offerings, balanced customers, balanced challenge – channels of distribution and excellent manufacturing capabilities.

Slide 12 is a visual representation of the value that Brink Group brings to Horizon Global. This underscores the leverage where we see and putting these two great companies together. Our footprint in Europe and Africa region will be more balanced similar to that of the other regional businesses. That's to say, that it'll have the similar business makeup from a channel perspective as compared to our other regions.

I'm now going to turn it back over to Dave, who will take you through our Q4 2017 financial performance in more detail. I'll be back to discuss our 2018 financial outlook, and then we'll be glad to take your questions.

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

Thank you, 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 U.S. GAAP measure. References to earnings per share and my commentary referred to adjusted diluted earnings per share attributable to Horizon Global, excluding special items. Cash flow and balance sheet commentary will be on and as reported U.S. GAAP basis. On slide 13 is a summary of our full year results.
Net sales increased approximately 38% compared to 2016 primarily attributable to Westfalia as 2017 represents the first full year with that business included in our results. Double digit growth in Asia-Pacific further contributed to the net sales increase while softness in the retail channel drove an overall decline in net sales within the Americas segment.

Operating profit for the year increased $14.3 million or 38% to $51.5 million from $37.2 million in 2016. As Mark mentioned earlier in his comments, operating profit was positively impacted by approximately $8 million in lower incentive compensation across all of our businesses based on performance compared to targets.

Operating profit also increased due to the inclusion of Westfalia in our results in the effects of higher volumes and margin improvement projects completed in Asia-Pacific. Increased volumes and higher input costs ahead of price realization negatively impacted operating results in the Americas. Operating profit margins slightly increased to 5.8% of net sales in 2017 from 5.7% in 2016.

Net income nearly doubled increasing to $24.6 million in 2017 from $12.4 million in the prior year. Earnings per share were $0.98 in 2017 as compared to $0.64 in 2016, an increase of 53%. The primary driver of this increase is improved operating profit partially offset by an incremental increase in interest costs.

EPS for 2017 also reflects an increase of more than 30% in the number of diluted, weighted average outstanding shares as compared to the prior year. Operating cash flow decreased nearly 60% from 2016 to $14.2 million primarily as a result of higher working capital levels. Working capital levels were significantly impacted by lower net sales than forecasted in the Americas leading to higher than normal inventory at the end of the year. We expect this higher inventory level to normalize in 2018, an important element in returning to historical levels of operating cash generation.

Total debt decreased to $275.6 million compared to $349.9 million in 2016 with our net leverage ratio declining compared to 2016. Our total debt and net leverage ratio reflect the repayment of debt in increasing bank EBITDA is the lowest year-end level Horizon has ever reported.

Please turn to slide 14 for a summary of our segment performance. Full year net sales in our Americas segment reflect the year-on-year decline of less than 1% compared to 2016. Although we saw strength in pockets in the segment, the primary driver of the net sales decrease was within our retail channel. Soft inventory replenishment, lost store placement with a customer based on pricing, and point-of-sale weakness at our mass merchant retail customers, negatively impacted this channel.

As Mark presented the retail channel was further impacted by higher cost and delivery delays experienced during the launch of the Kansas City distribution facility. Further contributing to the net sales decrease was a decline in sales in the aftermarket channel caused by challenges faced during the integration of our ERP system in early 2017. Growth in our automotive OE, e-commerce and industrial channels partially offset these declines.

Automotive OE experienced higher volumes on existing programs, while winning 13 new programs during the year with full run rate sales anticipated at nearly $35 million. E-commerce continues to grow as we believe consumer habits are evolving toward online research and purchasing.

Industrial channel experienced growth in 2017 after two years of declines, benefiting from increased demand and production levels from trailer manufacturers. Operating profit in the segment decreased $2.7 million to $46.3 million from $48.9 million in 2016 primarily due to higher input costs including commodity and freight costs and advanced pricing realization. As well as manufacturing inefficiencies in our [indiscernible] plant caused in part by the integration of the former war as volume. These factors more than offset lower incentive compensation and IP awards settlement received in the fourth quarter and the fixed savings of combining plants.

Operating profit margin decreased by 50 basis points over the prior year to 10.5% of net sales as a result of these factors. While announced price actions became effective beginning in the third quarter of 2017, the full impact of these increases were not realized during the year.

Performance of the Europe Africa segment is highlighted in the middle of page 14. Full year net sales in our Europe Africa segment increased approximately $222 million largely due to the inclusion of Westfalia. The segment continues to experience organic revenue growth driven by double digit gains in the OE channel and during the fourth quarter we saw year-on-year growth in the aftermarket channel.

Operating profit for Europe Africa increased to $5.7 million in 2017 from an operating loss of $2.1 million in 2016 as the business recognized €9.5 million or approximately $11 million in integration synergies during the year. As a reminder, these synergies are net of certain investments made in the business from a leadership and governance perspective. Operating profit margin for the segment was 1.7% of net sales, an increase of 370 basis points. Segment experienced an overall operating profit margin improvement year-over-year as integration benefits more than offset performance below expectations in our UK, Nordics and South Africa regions. We expect the continued integration of Europe to transform our business in that region and to drive higher margins in future periods.

As Mark mentioned in his comments, the Asia-Pacific segment had a tremendous year. Net sales in our Asia-Pacific segment grew 25% as compared to 2016, as we experienced an increase in nearly all of our sales channels in the segment. Sales in our automotive OE channel grew by 20.1% primarily driven by a regional bolt-on acquisition completed early in the third quarter.

The channel also benefit from organic growth due to increased volumes on existing automotive OE programs. Increased net sales in industrial and aftermarket channels of 32% were primarily due to the introduction of a new product to a new customer in the industrial channel. Operating profit rose nearly 80% to $20.2 million, and operating profit margin increased 490 basis points to 15.9% of sales.

The most significant improvement in this segment came from cost leverage and higher volumes and the realization of benefits of previously implemented productivity and restructuring initiatives.

Slide 15 is a view of our leverage and liquidity. Our total debt at the end of 2017 was $275.6 million, slightly down from the third quarter. The trend you see in our net leverage ratio reflects the improvement in our profitability and the seasonality of our business. With respect to working capital, we ended the year with higher than normal inventory levels in the Americas due to lower than expected sales volumes in the fourth quarter and the safety stock of inventory built in support of our [ph] paint line conversion project completed in the fourth quarter.

As I mentioned earlier, the higher than normal working capital levels had a negative impact on our operating cash flow in 2017. However, we do not believe this to be indicative of a change in the business' historical cash generation profile. Working capital was 9.2% of sales in 2017, a slight improvement from 9.3% in 2016. Cash on hand decreased $20.7 million to $29.6 million from $50.2 million in 2016, and net facility borrowing was $10 million higher at the end of 2017 compared to 2016. Debt incurred in connection with the closing of the Best Bars transaction at the beginning of the third quarter was completely extinguished with cash on book and generated by the operations of our Asia-Pacific business.

At a corporate level cash was used for the repurchase of approximately 686,000 shares of common stock during 2017 at a total cost of $10 million, $113.5 million of availability at the end of 2017 continues to provide adequate flexibility to operate our business.

In closing I'd like to leave with three takeaways from our financial performance in 2017. We are encouraged by the focus and commitment of our Europe-Africa team to identify and implement business improvement in cost take out actions that set the stage for higher margins in the future. We're working together as one team with one goal to address the challenges faced in the Americas and are dedicated to the plan, Mark laid out, to improve the business moving forward. There is more focus across the business today than at any point in the past and aligning the functions of our business to drive working capital efficiency and ultimately operating cash flow. We are confident that the factors impacting our operating cash flow in 2017 will not repeat in 2018.

If you turn to slide 16, I will turn it back over to Mark who'll present our outlook on 2018 and wrap up our prepared remarks.

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

Thanks, Dave. Here on slide 16 we wanted to provide our 2018 outlook in context for how we're thinking today about longer term strategic goals. We've considered how to move forward with our guidance for 2018 that is consistent with our expectations and position to best deliver value for our shareholders.

On left hand side of the slide you'll see annual guidance that provides insight into our consolidated expectations for the year. We expect to deliver sales growth in the range of 3% to 5% with operating profits and earnings per share growing at a faster rate than sales.
and earnings per share growing at a fast faster rate than sales. We additionally expect our operating cash flow to return to normal levels during 2018. Our long-term financial goals are on the right hand side of the slide. We've been discussing our goals for the business around sales growth, operating profit, margin expansion and our ideal capital structure for some time now. We are vastly different company than when we shared these goals the first time but these are still important aspirations for the company and we will continue to drive progress towards achievement.

In the near-term we are focused on executing our targeted action plan to drive long-term growth and value for shareholders and meeting our commitments for 2018. Our strategic goals continue to be important to how we think about our business and we intend to use them as guideposts to help us shape the broader direction of our company and the global business.

Turning to slide 17. This is a representation of some Horizon Global's corporate governance enhancements since becoming a public company in July of 2015. Since then our board has expanded to add experience functional capabilities and greater independence and we also made changes to leadership structure of our board in the last two and half years. We're pleased to announce today that we're taking additional steps to enhance our corporate governance as a publicly traded company.

We engage in regular dialog with all of our shareholders and listen to their perspectives. Today we're announcing that we are separating our Board Chair and CEO roles. Denise Ilitch has been appointed Independent Board Chair and we're fortunate to have her continued leadership. Additionally we have also announced that our board has approved a proposal to declassify the board and as to declassify the board, and is recommending that our shareholders do the same at our upcoming annual shareholders meeting.

Fundamentals of our business on slide 18, is where I am now. The fundamentals of our business are solid in the two-year measures, we shared earlier are a clear indication of the improvements, we've made in the business in a very short time. Our brands have achieved leading market positions in multiple geographies. We're focused in 2018 to effectively address and fix challenges in the businesses through our targeted action plan. We'll provide regular updates on our action plan, and we'll hold ourselves accountable.

We have an acquisition strategy for the business that includes Brink, one that is financially sound, achievable and will drive expansion and profitability of our global business over the near-term, medium-term and long-term. We're confident in the sound fundamentals of our targeted action plan, and we have a global team energized to deliver. Just as we held ourselves accountable for lower than expected results against 2017 guidance, we hold ourselves accountable to achieve our commitments for 2018. We – and we remain focused on building our global business and enhancing shareholder value. We believe that our targeted action plan, our plans for the business and our focus on good corporate governance all demonstrate this commitment to our company and creating shareholder value.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And our first question comes from the line of Matt Koranda with ROTH Capital.

<Q>: Good morning.

<A>: Good morning, Matt.

<Q>: I just wanted to start out with the maybe a guidance question. You showed 2018 You showed 2018 guidance sort of next to your long-term strategic goals. Just wondered. I mean I guess as recently as the middle of 2017, you had alluded to achieving that 10% operating profit goal by 2019, but it seems like we're pretty far away from that at this point. Could you help us kind of map the 2018 guidance and sort of the progress you're making towards the long-term goals?

<A>: Yeah, sure. So, obviously 2017 didn't meet our expectations from a margin perspective and that's the reason that we spent so much time talking about the action plans that we have in place. We decided not to talk specifically about timing to achieve the 10% because of the implementation required in this action plan and the time it's going to take to get the business back on track to where we expected it to be. So, we are very focused on getting there, but until we have the exact timing of some of these cost outs, we're just – we're not ready to nail down a date to achieve it.

<A>: And I would just – I'll put one finer point on it. The goal remains the same. We've got to otherwise implement the changes that we have ahead of us in 2018 that will add to delivering on that goal. And as such, we'll continue to update to you and obviously shareholders and others in terms of our progress towards that 10% goal. If everybody remembers, the first threshold was 10% operating profit as a segment, we've otherwise accomplished that. Now what we have ahead of us is that next evolution in terms of business performance and I'm encouraged by the European improvement. We need more out of them obviously with €8.5 million of incremental synergies plus the additional action plan items plus also quite frankly turning around a bit of a slip, about a 100-basis point slip in the Americas business from 2016 to 2017. So, we've got to turn that as well as and obviously make it more sustainable.

<Q>: Got it. And just on the targeted action plans, I think you highlighted $3 million to $5 million in incremental synergies. But I'm wondering essentially how should we be modeling that $3 million to $5 million in terms of how it drops to operating profit, because it seems like a lot of the savings you guys have been achieving, I guess especially if I use Westfaliaw as an example, the synergies there. They're being eaten up in some way and I'm going to assume some of that has material costs, some of its pricing headwind, but help us understand just how that $3 million to $5 million should be dropping to the operating profit line this year?

<A>: So Matt that $3 million to $5 million specifically related to the action plan. So you can see the timing of when those actions are taking place that drive it. They'll begin as early as Q2 and ramp through the end of the year. The full run rate of that project in its entirety is going to be circa $12 million. So that's what we expect to carry over into next year. But $3 million to $5 million is what we think we'll realize this year. Just to clarify on the integration savings in Westfalia and that's why we spent time talking about it. You're right that the integration benefits were eaten up, but they were really not by the legacy businesses. So the UK, South Africa and the Nordics are where we had performance issues. We talked a little bit about a delay in getting some of the aftermarket pricing in Westfalia, but that's certainly not a big driver of, where the benefit went, it really went into those subscale businesses. And as we announced the shuttering of Witter, obviously there were more inefficiencies than we had forecasted.

<Q>: So as Witter now closed and essentially there should not be a drag anymore, so now it's essentially to the Nordic region that you highlighted is sort of the drag in Europe?

<A>: That's right.
the drag in Europe?

<A>: That's right. So, we've – in the UK, we've consolidated distribution between Westfalia's legacy distribution center and ours at our facility in Deeside. We've shuttered the manufacturing operations, and then there's an engineering center there for the aftermarket. So, the focus really is on the Nordics and South Africa. And a lot about the South Africa plan is as Mark talked about moving our production to low cost countries and increasing that amount during the course of the year. So that includes both South Africa and Romania with respect to Europe-Africa.

<A>: Yeah. What's interesting, Matt, to that end is that's the leverage that we're talking about if you will in terms of the cost arbitrage between manufacturing in the UK and other higher cost jurisdictions. We've taken this business from substantially a locally manufacturer for local consumption model to that of these two plants actually provide the cost benefit of lower production costs and lower exposed costs in each one of those jurisdictions. So we're already at 20% of the overall mix headed to 25%. The answer is that as you'd expect as part and parcel of the synergies that we're going to continue to ramp both of those production houses as we otherwise simplify the rest of the business.

<Q>: Okay, that's helpful, guys. Just turning to the Americas segment for a moment, so in terms of the distribution center changeover and the challenges there I guess driving some delays, what channel saw the biggest delays in Q4 from that facility? And then I mean, I guess the concern here for me would be do we lose share in the aftermarket given some of the delays, how have you kind of tracked that, what's coming out of that?

<A>: Yeah. The largest portion of volume that was impacted by the delays and basically shipping effectiveness out of Kansas City was the retail business. And of course we talked about that having an impact on the actual sales of the company as well. So to that end, you can see that also in the bubble charts associated with the relatively the growth percentages in each one of the segments. I'll tell you this is that, our historical delivery performance is obviously a challenge for us, as we talk to our customers, but they understand largely what we're trying to achieve which is to be able to better service them over the long term. As such also Q4 if you remember is a seasonal low in terms of stripping out inventory for that channel that our products in that channel. So as such we're expecting good strong orders here in Q1 and obviously seasonal level orders in Q2 as we normally ramp. Now I think that answers most of the questions that you asked.

<A>: Yeah. Just to be – we still ship aftermarket out of our Dallas warehouse...

<A>: Correct.

<A>: ... that, that has not been impacted by Kansas City at this point.

<Q>: Okay. That's helpful guys. Maybe just one more for me. So you guys did a good job explaining the strategic rationale for Brink, it seems to make sense. But I'm just wondering from a capital allocation standpoint, we're going to approach it from that angle, the stocks are a lot lower than that when you announced the Brink acquisition. When you look at sort of the relative attractiveness of buying your shares versus Brink, how do we think about that from just a pure capital allocation standpoint?

<A>: Well, let's start with the IRR, the net present value associated with the expected cash flows out of the Brink transaction, it's very, very valuable to us. It gives us a lot more profit as an enterprise to work with versus the financial engineering of returning if you will to buying back shares. As you know this we bought $10 million worth of shares back during 2017. The board obviously has a standing authorization to buy back shares as well. So, we're going to use the dollars in the best and most accretive way we can in terms of driving the performance of the business.

<Q>: Have you guys been able to buy back shares year-to-date?

<A>: Yeah. We bought in total $10 million worth of shares, plus, minus. And Dave made a mention of $687,000 ...

<A>: Yeah. Just to be clear, no, we have not purchased anything in 2018. Really, stock buyback for us is a function of two considerations. One is our ability to do it under the credit agreement and the second is liquidity. And as you know, Q1 is when we use cash to prepare ourselves for the season. So, to divert cash at this point in time especially given the higher working capital or lower operating cash we generated at the end of 2017, didn't make a lot of economic sense even absent the limitations of our credit agreement.

<Q>: Okay. I'll leave it there, guys. Thanks.

<A>: Thanks, Matt.

Operator: Our next question comes from the line of Matthew Gall with Barrington Research.

<Q – Matt Gall – Barrington Research Associates, Inc.>: Hi. Good morning. Thank you for taking my question. Maybe diving in a little bit further to the other math question in terms of the 10% long-term operating margin goal, I think Mark you had mentioned that that's where the Americas segment was at with a lot of the action plans underway and in progress throughout the year on manufacturing efficiency, distribution improvement, improving your go-to market strategy in different channels. What is a contribution to improving that Americas operating margin to improving that Americas operating margin from where it currently stands and kind of being a little bit flat from 2016 from those different action plans that you have in place?

<A>: Yeah. What I would say Matt if – let me try to help you with the question and framing just a little bit is the business was 11% in 2016, it was 10% in 2017, these are just directional numbers. The objective for us is to get back to the 11% and beyond as part and parcel of the efforts to otherwise move us as a total enterprise to the 10% in threshold. And our running thesis has been is that the businesses have to be at circa 12% in order for us to achieve that.

So if you put in context the Americas organization calling it – call it a $450 million operation round numbers in sales. That means we need basically another let's call it $9 million worth of efficiencies. You can see the actions that were we talked about below that obviously contribute to that but we'll also obviously generate significant production efficiencies in our manufacturing operation year-on-year. So, that's the way we're thinking about this.

<Q>: Okay, and that's helpful. And then the other question I had, just off of the recent announcement this morning and who knows how feasible it will be until legislation comes to fruition, but anything on the steel or aluminum tariffs when you mention your raw material costs and sourcing from China, finance they can understand it's impossible to look at right now, but is there a way that you can provide kind of what your raw material sourcing is currently?

<A>: Sure. And to be clear, we source in region in all of our segments right now. So we don't import steel by itself, but we do import as you know about half of our cost of goods sold in the Americas from China, and I would tell you it's too soon for us to comment on where you need – you know this – how this is going to impact the outage, it's too new.

<Q>: Right now. I understand it's new. I just want to get the allocation of where sourcing was currently.

<A>: So – yeah.

<A>: There we can ...

<A>: Half of what we buy for the Americas comes out of China, and that's the way to think about it.

<Q>: Correct. And the steel exposure Dave is approximately what intrinsic level?

<A>: So material overall is about 70% of our cost of goods sold.

<Q>: And steel is the largest contributor within that?

<A>: Absolutely. Absolutely.

<A>: Does that help, Matt?

<Q>: No, no, that's – it's good, just to get a perspective there, so I appreciate that. And then anything in terms of commodity or freight cost in the Americas that has alleviated maybe from where it was in Q4? The [ph] modeling on the fright side as far as the delivery with some of the right shipping maybe with some of the distribution center?

<A>: I'll tell you that the facility continues to make its way through back orders as well as orders that were outstanding at the end of the year. They've got – they've gotten through a vast majority of the – [ph] if they were to past, you could speak orders. So therefore the relative rush shipments are dropping off very specifically. The – so that's helping us without caution. It's also making sure that we're living to those commitments to our customers and delivering on time, every time. And as such the team is clearly focused on getting more current in terms of its relative orders. There is – there is – so therefore the efficiencies of that are clearly ahead of us, and we're starting to feel them and experience in them now. As I may have mentioned, Mike Finos are our executive that was a manufacturing Mike Finos, our executive that was a manufacturing leader for us as a total company is now allocated and an in position as the VP of Operations for the Americas. Mike is laser focused on turning this facility around and I expect to be able to see that continue to improve here over the next one to two quarters and as we optimize, yet even later in the year.

<Q>: All right. Great. Thank you, Mark and David for the update. Thank you.

<A>: Absolutely.

Operator: [Operator Instructions]

Unverified Participant

Hearing none?

Operator: At this time, there are no further questions. I would like to turn the call back to Mark Zeffiro.

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

Thank you, Crystal. I like to leave you with just a couple of things. Number one is the business is accountable for 2017 performance. I think we've put in perspective the absolute need to drive the specific action plan, and as Dave made mention, it's about a $12 million profitability improvement that we expect to realize on a full run rate basis. I also want to make sure it's exceptionally clear that, that includes obviously all the things that we're focused on in the Americas and the regional improvement at large in Europe and the synergies that we are executing in Westfalia add to that number. We delivered a relative performance in the business, nearly 40% lift in top line. And if you think about adjusted diluted earnings per share, about 50%, little more than 50%. We showed margin expansion in spite of adding dilutive business to us as a company and that that feels pretty good. We're disappointed in our execution in the Americas and other places, around everything that we had to deliver within the year. The team is focused, it's reenergized and we have a leader in place that is driving manufacturing discipline and manufacturing and giving manufacturing expertise into the business, both through the President as well as the allocation of the Vice President of Operations.

I expect 2018 to be a better year of execution and as such, I look forward to be able to update you across the year on our performance within the company. Thank you for your time today and look forward to staying connected.

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