MANAGEMENT DISCUSSION SECTION

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

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

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

Thank you Crystal. Good morning, everyone and thanks for joining us on such short notice. Welcome to Horizon Global's Acquisition Announcement Conference Call and webcast. Hopefully, everyone has had a chance to review the press release we issued earlier today. The press release and the presentation slides that we will refer to during the call are available on the Investor Relations portion of our website.

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

Joining me on our call today are Mark Zeffiro, President and CEO of Horizon Global; and David Rice, our Chief Financial Officer.

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

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

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

Good morning and thank you Maria. Today is a milestone in Horizon Global history. This morning, we announced that Horizon Global has entered into a definitive agreement to acquire the leading European provider of towing products, Westfalia Automotive and its sister company, Terwa, which I'll collectively refer to as Westfalia.

On this call, we'll provide an overview of the transaction, share our thoughts and synergies of the combined companies, and talk about the impact on Horizon Global.

If you flip over to slide five, we'll start at that point. Westfalia is a leading global towing company, headquartered in Rheda-Wiedenbrück, Germany. They are the European market leader and the inventor of the European ball towbard. Since 1932, Westfalia has manufactured and marketed high-quality branded towing products. Offering more than 1,700 different types of towbars, Westfalia holds approximately 100 towbar patterns and more than 30 transport system patterns, with operating facilities in 11 countries.

Westfalia is one of the best product innovators in our market and is especially strong in the OE channel. The acquisition of Westfalia is a transformational step for Horizon Global, establishing our company as a towing product leader in Europe. This combination of positions for our company, provides us the opportunity to accelerate great growth on a global scale.

As part of the transaction, as we move to slide seven, Horizon Global will acquire the market-leading brands, Westfalia, Terwa and Siarr, from an investor consortium led by Deutsche Private Equity or DPE, which will become a shareholder of Horizon Global. To secure Westfalia, which we regard as a general asset. We proactively approached DPE, which was not engaged in the sale process. We're looking at €160 million – €167 million for the business with approximately €89 million in cash, €36 million in the Horizon Global stock and – sorry, pardon me – common stock and assume debt of €42 million. We look forward to welcoming [ph] DPE as a significant new shareholder holding approximately 10% of Horizon Global.

DPE had significant plans to improve the business which are underway. We are uniquely positioned to take that baton and execute those plans plus adds them – add to them synergies which we bring to this deal. The purchase price is approximately 9.9 times, it was probably as projected 2016 adjusted EBITDA. With our expectation and execution of all synergies resulting in less than four times as a purchase price.

This transaction will create a stronger market competitor well positioned to accelerate growth on a global scale with Horizon Global immediately gaining a larger pan-European presence, including a low cost manufacturing footprint in Romania. There are significant synergies and opportunities to optimize footprint and business processes including supply chain, distribution and manufacturing.

Integration of the teams will also generate synergies both within Westfalia and with respect to the integration of our existing businesses. So to be clear there are tactical direct improvements in our business and also direct improvements in the Westfalia set of businesses. The technology, intellectual property and operational assets we acquire will contribute to our strategy objectives.

Dave Rice, our CFO was working with our banking partners lead by JPMorgan on an incremental add-on to our existing Term Loan B at similar terms, also, 2.7 million shares will be issued. We expect the deal to close in the fourth quarter subject to customary closing conditions including, of course, regulatory approval.

For us, it's not hard to see the benefits of the combined companies. The deal establishes Horizon Global as a leader in the three largest markets for our products including North America, Australia and now in Europe. The combination of these two companies expand our OE footprint with access to new markets and new customers. It would also enhance our margins in the first year together. Westfalia complements our existing global business model and offers the opportunity to accelerate product innovation with new technology. The synergies that this acquisition brings are meaningful.

Horizon Global was built on acquisition, it's our history. We've consolidated and integrated operations across the globe. We have experience in these efforts. The scale of Horizon's European operations as they stand today have resulted in margins below our expectations. As a result, we plan to integrate our businesses into the Westfalia platform. Clearly, we expect to optimize the Westfalia assets above and beyond where they are today, given our success of improving our business operations around the world.

If you flip to slide 10, let's talk a little more about the combination of the two companies. We immediately create scale and market leadership in Europe and across the globe. The deal is margin and earnings accretive in 2017. In addition, we will have the ability to satisfy a wider array of customers and we're the leader in all markets we serve with global scale for both our OE and after market customers. Global vehicles are growing part of our business, and we will be strong positioned to satisfy a growing OE needs to make their business model simpler. Over time, we expect that our businesses will collaborate and use innovation on a global scale using the best in class technology to drive sustainable growth.

Moving onto slide 11. We worked with Wells Fargo as our investment bank advisor on the transaction, and the managing partner has a saying about this deal; it makes good map. And, that's exactly right. We are highly complementary in terms of locations of manufacturing and distribution, not significant overlap. We think with some capacity, stroke, manufacturing rationalization, we will achieve a best in class footprint along with an increased supply chain efficiency and an opportunity to optimize our OE, engineering and project management.

Another advantage of the integration are the decades of experience we have in sourcing in China. When I say we, I'm thinking about Horizon Global and the distribution of this product across the globe. As we worked through the integration process, we will identify best practices across all operations and anticipate that changes will be made that are in the best interest of the combined company.

And, of course, there will be cross-selling synergies, but quite frankly, this is pure upside to the business case we're using. We think the cost synergies are so substantial that our initial efforts will be focused on those, although giving complementary nature of our customer base, our OE teams will be tackling cross-selling opportunities following the completion of the transaction.

Moving onto slide 12. You will see exactly what I'm talking about. While there is some overlap of our customer set, there are many customers that are not shared. We are gaining a great many new customers as a result of the acquisition. Westfalia has a stronger presence in OE, while Horizon Global has a stronger presence in dealer and aftermarket retail space. Specifically Horizon Global is now expanding its customer base and to include customers like BMW, Volkswagen and Mercedes. This is a sizeable opportunity for our OE teams and our aftermarket teams to tackle. We've both come to this playing field with longstanding customer relationships in the market.

Slide 13. There is significant realizable synergy opportunities with this acquisition. You've heard me mention it a few times at this point. As you can see from the chart on slide 13, the combination of these two companies is highly complementary. Horizon Global are stronger in aftermarket product design and low cost country sourcing and Westfalia is a stronger product technology in OE customers in Europe.

Together, we're creating a powerful combination that is an established global market leader and innovator in the design and manufacture of towing systems for automotive equipment manufacturers, retailers and aftermarket customers. In addition, we have already identified, I repeat, already have identified significant cost synergies, which again reduce the purchase price to less than four times. Just as we planned to execute on our own improvement plans for Horizon Global, so will be the process for this integration, focused on real tactical and tangible improvements.

Turning out to slide 14. You can see the compelling advantages that benefit all stakeholders. I typically think about business process improvements on the context of customers, employees and owners or stakeholders. Customers benefit from a wider range of products and a larger company focused on innovation and product technology. Employees will have greater opportunities across the globe along the sharing of best practices that will improve processes across the company. And of course shareholders will benefit to earn accretion in 2017 along with accelerated margin growth and new organic growth opportunities.

Now, if you'll flip the slide 16, we've talked about Westfalia and the transaction and what the combined company will look like. Now, let's talk about the impact on Horizon Global. A long term strategic goal, you'll see on slide 16, were introduced at the beginning of 2016. We didn't put a timeline around those, when these would be achieved. We told you that is how we think about our business. We view ourselves as a $1 billion dollar business with 10% operating profit and a $100 million plus in cash flow.

We want to be an employer of choice, that is looking to our business beyond today. We've made great strides in our first years as a public company, establishing a shared vision, mission and priorities for the enterprise, but most important it's been a cultural shift. This shift is really a belief in winning for the company and our customers.

In our first year as a public company, we grew commercially 4% on a constant currency basis. More impressively adjusted operating profit increased over 300 basis points and net income more than doubled over the same period. In addition, we are able to take our leverage down from 3.8 times at the time of spin to 3.1 times a year later to efficient working capital management and frankly improved profitability. As I've said many times, this is a marathon not a sprint and the acquisition of Westfalia is just the next leg of this race. It fits perfectly with our long-term strategic goals.

Slide 17 if you will. You'll see the acquisition of Westfalia also aligns with our three key priorities. It actually accelerates our goal to improve segment operating profit margins to 10%, and then 10% at a corporate level. It expands our opportunities for organic growth, giving us access to new customers and new products. And even with the increased debt that we're taking on to buy the company, we still reach our leverage goal less than two times levered in 2019. This is what makes this deal compelling. We continue to have the same three priorities and have a path in site to achieve them and the combination delivers our goals.

Finally, on page 18, I know this would happen, without having a culture that embraces the challenges laid out before them. As I mentioned earlier, we've a defined vision and mission and feel that the acquisition of Westfalia, with it we can deliver on that mission to utilize forward-thinking technology to develop and deliver best-in-class products for our users, engage with our customers and realize value creation for our shareholders. This culture is what enables us to take our sizable acquisition like Westfalia, knowing that our folks are focused and I mean focused on achieving our long-term strategic goals.

I'd like to thank all of the Horizon Global team members, who've put countless hours into making our vision reality. It is exactly this can do attitude that has served us well. And with this same attitude, that will serve us as we welcome and integrate the Westfalia and Terwa companies into the Horizon Global family.

I hope we've successfully introduced you to Westfalia and provided an overview of the transaction. We are excited about the opportunities that lie ahead for Horizon Global, and the synergies we can achieve with the acquisition of Westfalia. This is an important deal for us as we march into our second year, as a public company, as it accelerates on margin enhancement, add significant synergies to double our earnings and expands our opportunities for organic growth.

With that, I would like to open the lines for any questions you may have. Operator?

QUESTION AND ANSWER SECTION

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

<A>: Good morning, Matt.

<Q – Matthew Butler Koranda>: Good morning. Just wanted to cover – I think, you touched on it, but I want to make sure we understand strategically, where does this put you guys in terms of market share in Europe and where, where you as a standalone entity prior to the transaction?

<A>: We were at number four or five competitor depending on how you wanted to measure it. We with the combination become a number one market share provider in Europe.

<Q – Matthew Butler Koranda>: Got it. Okay, perfect. And then, obviously I think, we understand the importance of getting the Westfalia brands and then the penetration into the existing OEM customers looks really interesting, but maybe you could also talk about it from the other way around here in terms of how important was it to you guys in terms of putting the Westfalia brands through your existing channels? Did you have the existing customers in any channel that it expressed any interest and getting access to more brands in particular maybe the retail channel for you guys? And then how does that kind of change your relationships with your existing OE customers in North America and the rest of the world outside of Europe?

<A>: You know, Matt. That's a fantastic question when you think about – it was probably to the competitor today. And a competitor that is really trapped in an European context, what we're mostly excited about is the technologies that they've developed and the ability to take them on a global distribution basis and gain access to that IP. Whether or not we introduce Westfalia as a brand to our retail segments or to other related spaces, that's yet ahead of us. As we think through the appropriate use of a very powerful brand like Westfalia on a either local or global scale. But I'd tell you, it's too soon for us to contemplate the implications of that as we have to get through obviously our regulatory approval and think through the implications of how we really want to integrate these businesses.

<Q>: Got it, okay. And then margin accretive you guys said obviously, positive, but maybe you could just talk about either the gross or the operating margin profile of the Westfalia businesses and maybe compare that to what you were generating as a standalone at least in the international segment and maybe even in your European operations specifically?

<A>: Well, I'll talk generally and I'll ask Dave to give you a better reference here as best we can. It's clearly accretive to the European [indiscernible] business the way we think about that. Margins are significantly higher than what we have today. And from a total enterprise, we view that this gives us the opportunity actually in the first year of combination to actually be margin rate accretive to us as a company. So it should give you a sense that there are decent margins but the opportunity of yet being better margins as a result of the synergies and the integration of the businesses. Dave, would you like to comment further on that?

<A – Dave Rice>: Yeah, I wouldn't had a lot to add. I would simply clarify, it is definitely accretive to our existing European operations. But the synergies are what make it much more attractive on a global scale to us than it is as it stands alone today.

<Q>: Okay, got it. Let's cover synergies and the implied EBITDA I think that I calculate in U.S. dollars within three years is about $47 million. Obviously, it implies a nice improvement, nearly $30 million of improvement over the next three years. And, you guys have alluded to the fact that most of this, if not all of it will be cost synergies and the upside would be cross-selling. So, maybe you could just try to locate out the specifics of what you've identified thus far, how much of that I guess call it $27 million of improvement would be purchasing synergies versus kind of capacity rationalization, all the different stuff that you've put it into in terms of buckets?

<A>: That's a good way to think about it, Matt. If you think about it, I mean we mentioned the fact that it was probably was on a path deck to really populate their aftermarket business in the Romania plant. There is a portion of the synergies that obviously that have yet to be executed, that we're going to take advantage of. And, Dave, I'll leave you to give pro ratas here in a second.

The second major piece of this is that, organizationally, operationally, we will integrate our businesses into the Westfalia platform. Not only do we expect to eliminate many factoring overhead, as well as overhead functions in that process, but we'll also get obviously the production liquidation benefit of these more if you utilize facilities.

The third major piece here is that as we think about technology, there is aftermarket technology versus OE technology that the [indiscernible] acquisition that was done a few years ago clearly brings towards the implementation of activities in Romania, which we're pretty enthused about in terms of work, it will lowering our overall cost footprint.

And then, there is synergies in terms of the actual integration of the teams in terms of back rooms, in terms of that duplicative overhead that we have as a company that points to real advantages. Now, the one thing I haven't talked about is obviously sourcing synergies.

We're in diligence, we obviously got a general feel associated with that, but that's also a big thing ahead of us as we think through and actually drive the integration of product strategies, but also sourcing strategies from our existing qualified supplier base in China. Dave, do you want to give kind of more context there?

<A – David G. Rice>: Yeah. To be specific, Matt, we really didn't make any assumption in terms of the low-cost country sourcing to China. We did consider the fact that as a large organization, Westfalia Group in total buy steel better than we do in Europe. So, it is a small of portion of synergies that related to that. But the portion that Mark alluded to, the moving of the aftermarket business, there – the execution of their model basically, moving aftermarket from Sweden and Germany and to Romania is probably about €5 million of the synergies and the balance of it relates to the rationalization of operations, maximizing performance of the remaining operations and then basically aligning a staff to be more efficient. And that's the bulk of it.

<A>: Yeah. I'll just put – to put one final point on it, is clearly the consolidation of manufacturing, the overhead spend that we have, is another portion there up and is probably similar kind in numbers what we talked about, Dave may have mentioned of a $5 million, excuse me €5 million in the context as well.

<Q>: Okay. Got it. That's helpful, guys. Could you just remind us, I guess, so they are moving production into Romania, obviously a lower cost country relatively to Western Europe, where else do they have facilities, Westfalia specifically, where did they have facilities in Western Europe that I guess maybe just – leave at that, yeah where are their facilities?

<A>: The larger locations – and David, if you got the map, you can jump in when I'm done.

<A>: Yeah.

<A>: I don't have the map in front of me, are in France, are in Germany, are in Sweden, and are in Romania. Those are the major, if you will, manufacturing locations. The Sweden location has been consolidated as we speak into Romania. Most everything else is a sales and distribution outlet point, which includes – the includes Moscow and it includes other places across Europe as well as there is a minority held venture that they have in Australia and New Zealand.

<Q>: Okay. That's helpful. Just wanted to cover source of funds. Obviously, you guys are expanding your existing term loan. Is that still going to be at the same effective interest rate about 7%, and any change to the leverage covenants or excess cash flow suite that you guys have in the existing loan agreement?

<A>: No, we're not – we're not anticipating any changes to either the spread, the tenure, the amortization, none of that's expected to change. There will be some modifications of baskets as obviously we're going to engage in quite a bit of facility rationalization and things like that. But the economics where I'm just doing the add-on based on what we're seeing in terms of likely outcomes of refinancing the whole transaction made this most attractive way to go.

<Q>: Okay. Got it. Just last quick one from me. I know you touched on maybe some regulatory approval items that need to be done before completion in Q4. But maybe you could just specifically break out – I mean, I assume there is probably some antitrust hurdles you got to get over and then what else is in particular, do you have to clear in order to get this done by Q4?

<A>: It's a usual customary clearances for the purchase agreement, Matt. So, nothing really streams there. It's your regulatory approval that is the largest unknown we have here. We're very confident. Of course, we engage people that are expert in this field. We're confident that, it'll be reviewed in timely fashion and we will secure approval. That being said, it could be weeks, it could be longer than that. So, more to come.

<Q>: Got it. Okay, guys. Congrats and I'll take the rest of mine offline.

<A>: Yeah.

<A>: Thanks, Matt.

Operator: Your next question comes from the line of [indiscernible] with C4 Global.

<Q>: Hi. Thanks. Good morning, guys, and congratulations on the....

<A>: Good morning Walt.

<Q>: Acquisition. I want to ask about your comments related to, it sounds like Westfalia was well on their path to improving profitability and I wonder, what innings they were in the move from France and Germany, and other manufacturing locations to Romania?

<A>: Somewhere between second and third inning. They have a structure. They got a leadership team that was leading that transition both sides of the fence. And so, they're about the third inning. One of the things that was interesting here is, recognize that this is an acquisition of two [ph] despairing separate companies, albeit owned by the same private equity firm, but it has different ownership structures on both of these. So, these were two companies that work necessarily as inner laced as pitching and catching plant within one company. So, we hope to be able to obviously move a little bit faster, as a result of that. And frankly, also, make sure that the teams are absolutely aligned in terms of what the objectives are.

<Q>: Okay. Great. So, it sounds like you're getting an action plan that's already been in place and has been moving forward and it sounds like you will continue with the existing managers that are in Europe to execute on the plan, is that right?

<A>: Yeah. For sure. We – there is a leader in terms of a Chief Operating Officer for the Westfalia Group. He is clearly a very, very important leadership function here and we also have a General – new General Manager in Romania. And I'd tell you, he is ready to take this on, and he is excited about it. So good stuff in that respect.

You don't want – you asked – you pose a different question there that – it wasn't really asked, but allow me to answer. This is a huge add to the leadership team of Horizon Global. This is a really important strategic add around quality talent for us as an organization. Now it's not to say, who we had in Europe was subpar, that's not the point, but when you have three disparate little businesses, you don't have the breadth of the organization to really provide people with great carrier opportunities or frankly, opportunities that we're able to really leverage the asset. This is a transformational view towards being able to have a deeper leadership basket in Europe that allows us to be able to play the game very, very different. So I'm exceptionally excited about the people that come along with this acquisition.

<Q>: Okay. Well, it sounds great. Let me ask about the chart on page five, where you've got the geographic breakdown, and clearly this is – largely product, it looks like OE being sold into Europe, but I wonder how much of that product ultimately shows up in other parts of the world, where you've got manufacturing and maybe there is better economies for example, manufacturing a product in North America, where, yeah, we ultimately have that as a destination to sell the cars.

<A>: That's a great question, because as competitors in the market, we know and have participated in activities with and against Westfaila. The reason why I bring that up is, they obviously don't have manufacturing capabilities and capacities really outside of Europe and that's what customers really want. This really gives us the ability to tap in the engineering expertise in Westfaila, and be able to utilize our plans on a global scale to do fulfillment and provide real product opportunities for them.

It's interesting, as obviously we're internally making our way through diligence and like, the North American operation is so enthused about having a brethren team with scale in Europe, because of the customer relationships that they have that we think that there is real opportunities to be able to be yet more important to those customers over time.

<Q>: Great. And then lastly from me, you talked about in 2017, I wonder if you can put some numbers around that, and is that before or after including or excluding purchase accounting?

<A>: That would be -firstly, it's a bit early for us to do that, because we have to get the purchase accounting and get to the final approval of this. But I would say that on a pure measurement basis, the margin rates at the segment level will go up and the operating profits at the enterprise will go up as a result of integrating this business.

<Q>: Okay. And the tax rate, is there any implications for like the 2017 or 2018 corporate tax rate because of the transactions?

<A>: Dave, you think you can handle that one?

<A>: Yes. As we looked at modeling, that's why we still model the existing Horizon business at the 20% given the waiting of sales in Europe, we modeled with five years business at 30% in the aggregate, so obviously as part of the integration, as part of the first accounting and the recording of the transaction, we'll look at alternative cash structures maybe able to employ, but right now that's how we're looking at the business.

<Q>: Okay. All right. Thank you.

<A>: Great. Well, thanks.

Operator: We've reached the allotted time for questions and answers. I will now turn the conference back to Mr. Zeffiro.

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

Yes. Thank you, operator. I would like to leave this with the message to our employees. This is transformative, it provides us all greater opportunities – all greater opportunities to satisfy customers in a very different way. It's exciting for us, and throughout I have the Terwa, and Westfalia joining Horizon Global, this is a unique opportunity for us to embrace those teams, and make our business in total on a global scale, yet a more fantastic place to live, work and satisfy our customers.

So, thank you for you all you've done. I know the diligence process was long, and a lot of efforts. So, I appreciate all of the efforts on the Horizon Global side as well as our Westfalia Group side.

With that, I'll terminate the call. Thank you for your questions, and thank you for your attention. Bye-bye.

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