

HYSTER-YALE MATERIALS HANDLING, INC.

Form 10-Q

October 28, 2015

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2015

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 000-54799

HYSTER-YALE MATERIALS HANDLING, INC.

(Exact name of registrant as specified in its
charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

31-1637659
(I.R.S. Employer
Identification No.)

5875 LANDERBROOK
DRIVE, SUITE 300,
CLEVELAND, OHIO
(Address of principal
executive offices)

44124-4069

(Zip code)

(440) 449-9600
(Registrant's telephone number, including area
code)

N/A
(Former name, former address and former fiscal
year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting
company
(Do not check if a smaller
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Number of shares of Class A Common Stock outstanding at October 23, 2015: 12,375,848

Number of shares of Class B Common Stock outstanding at October 23, 2015: 3,947,968

HYSTER-YALE MATERIALS HANDLING, INC.
TABLE OF CONTENTS

		Page Number
<u>Part I.</u>	<u>FINANCIAL INFORMATION</u>	
<u>Item 1</u>	<u>Financial Statements</u>	
	<u>Unaudited Condensed Consolidated Balance Sheets at September 30, 2015 and December 31, 2014</u>	<u>2</u>
	<u>Unaudited Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2015 and 2014</u>	<u>3</u>
	<u>Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2015 and 2014</u>	<u>4</u>
	<u>Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2015 and 2014</u>	<u>5</u>
	<u>Unaudited Condensed Consolidated Statements of Changes in Equity for the Nine Months Ended September 30, 2015 and 2014</u>	<u>6</u>
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
<u>Item 3</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>28</u>
<u>Item 4</u>	<u>Controls and Procedures</u>	<u>28</u>
<u>Part II.</u>	<u>OTHER INFORMATION</u>	
<u>Item 1</u>	<u>Legal Proceedings</u>	<u>28</u>
<u>Item 1A</u>	<u>Risk Factors</u>	<u>28</u>
<u>Item 2</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>28</u>
<u>Item 3</u>	<u>Defaults Upon Senior Securities</u>	<u>28</u>
<u>Item 4</u>	<u>Mine Safety Disclosures</u>	<u>28</u>
<u>Item 5</u>	<u>Other Information</u>	<u>28</u>

<u>Item 6</u>	<u>Exhibits</u>	<u>28</u>
<u>Signatures</u>		<u>29</u>
<u>Exhibit Index</u>		<u>30</u>

Table of Contents

Part I
 FINANCIAL INFORMATION
 Item 1. Financial Statements

HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30 2015	DECEMBER 31 2014
	(In millions, except share data)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$114.6	\$111.4
Accounts receivable, net	351.4	357.7
Inventories, net	343.1	342.5
Deferred income taxes	16.1	20.8
Prepaid expenses and other	34.4	34.6
Total Current Assets	859.6	867.0
Property, Plant and Equipment, Net	174.4	179.8
Intangible Assets	3.7	4.1
Long-term Deferred Income Taxes	15.3	11.4
Investment in Unconsolidated Affiliates	41.0	39.6
Other Non-current Assets	17.2	18.9
Total Assets	\$1,111.2	\$1,120.8
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$323.5	\$331.6
Accounts payable, affiliate	13.2	18.4
Current maturities of long-term debt	28.4	19.5
Accrued payroll	42.1	57.2
Accrued warranty obligations	29.8	32.3
Other current liabilities	93.9	94.5
Total Current Liabilities	530.9	553.5
Long-term Debt	18.6	12.0
Self-insurance Liabilities	17.3	18.6
Pension and other Postretirement Obligations	20.7	24.6
Other Long-term Liabilities	65.3	56.1
Total Liabilities	652.8	664.8
Stockholders' Equity		
Common stock:		
Class A, par value \$0.01 per share, 12,370,668 shares outstanding (2014 - 12,277,148 shares outstanding)	0.1	0.1
Class B, par value \$0.01 per share, convertible into Class A on a one-for-one basis, 3,949,299 shares outstanding (2014 - 3,964,082 shares outstanding)	0.1	0.1
Capital in excess of par value	319.8	324.1
Treasury stock	(42.8	) (49.1
Retained earnings	324.1	280.4
Accumulated other comprehensive loss	(144.7	) (101.1
Total Stockholders' Equity	456.6	454.5

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

Noncontrolling Interest	1.8	1.5
Total Equity	458.4	456.0
Total Liabilities and Equity	\$1,111.2	\$1,120.8

See notes to unaudited condensed consolidated financial statements.

2

Table of ContentsHYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30		SEPTEMBER 30	
	2015	2014	2015	2014
	(In millions, except per share data)			
Revenues	\$652.1	\$695.8	\$1,933.1	\$2,056.5
Cost of sales	545.4	584.5	1,612.9	1,726.2
Gross Profit	106.7	111.3	320.2	330.3
Operating Expenses				
Selling, general and administrative expenses	77.7	75.1	242.9	232.5
Gain on sale of assets	—	(0.1)	—	(17.8)
Operating Profit	29.0	36.3	77.3	115.6
Other (income) expense				
Interest expense	1.3	1.6	3.6	3.3
Income from unconsolidated affiliates	(1.7)	(1.5)	(4.2)	(4.1)
Other	1.0	(0.7)	2.4	(0.8)
	0.6	(0.6)	1.8	(1.6)
Income Before Income Taxes	28.4	36.9	75.5	117.2
Income tax provision	7.4	8.4	17.7	33.6
Net Income	21.0	28.5	57.8	83.6
Net income attributable to noncontrolling interest	(0.1)	(0.1)	(0.3)	(0.2)
Net Income Attributable to Stockholders	\$20.9	\$28.4	\$57.5	\$83.4
Basic Earnings per Share	\$1.28	\$1.71	\$3.53	\$4.99
Diluted Earnings per Share	\$1.28	\$1.70	\$3.52	\$4.97
Dividends per Share	\$0.2850	\$0.2750	\$0.8450	\$0.8000
Basic Weighted Average Shares Outstanding	16.319	16.617	16.302	16.717
Diluted Weighted Average Shares Outstanding	16.360	16.667	16.347	16.782

See notes to unaudited condensed consolidated financial statements.

Table of ContentsHYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30		SEPTEMBER 30	
	2015	2014	2015	2014
	(In millions)			
Net Income	\$21.0	\$28.5	\$57.8	\$83.6
Other comprehensive income (loss)				
Foreign currency translation adjustment	(15.8	) (25.6	) (45.9	) (22.4
Current period cash flow hedging activity	(0.6	) 1.1	(0.8	) 1.5
Reclassification of hedging activities into earnings	0.7	1.2	1.9	2.1
Current period pension adjustment	(0.5	) (0.4	) (0.5	) (0.4
Reclassification of pension into earnings	0.5	1.0	1.7	3.3
Comprehensive Income (Loss)	\$5.3	\$5.8	\$14.2	\$67.7
Other comprehensive income (loss) attributable to noncontrolling interest				
Net income attributable to noncontrolling interest	(0.1	) (0.1	) (0.3	) (0.2
Comprehensive Income (Loss) Attributable to Stockholders	\$5.2	\$5.7	\$13.9	\$67.5

See notes to unaudited condensed consolidated financial statements.

Table of ContentsHYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	NINE MONTHS ENDED SEPTEMBER 30	
	2015	2014
	(In millions)	
Operating Activities		
Net income	\$57.8	\$83.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22.1	22.4
Amortization of deferred financing fees	0.9	0.9
Deferred income taxes	(3.0)	4.3
Gain on sale of assets	—	(17.8)
Stock-based compensation	2.1	4.1
Dividends from unconsolidated affiliates	2.5	—
Other non-current liabilities	1.8	(0.9)
Other	4.6	(3.3)
Working capital changes:		
Accounts receivable	(20.3)	(23.2)
Inventories	(30.0)	(46.0)
Other current assets	0.4	1.3
Accounts payable	(0.9)	19.2
Other current liabilities	(6.7)	(3.4)
Net cash provided by operating activities	31.3	41.2
Investing Activities		
Expenditures for property, plant and equipment	(28.9)	(31.9)
Proceeds from the sale of assets	11.0	8.4
Business acquisition, purchase price adjustment	0.9	—
Other	—	(0.7)
Net cash used for investing activities	(17.0)	(24.2)
Financing Activities		
Additions to long-term debt	35.2	22.1
Reductions of long-term debt	(26.1)	(28.9)
Net change to revolving credit agreements	—	(31.3)
Cash dividends paid	(13.8)	(13.4)
Purchase of treasury stock	(0.1)	(36.8)
Other	—	(0.2)
Net cash used for financing activities	(4.8)	(88.5)
Effect of exchange rate changes on cash	(6.3)	(6.3)
Cash and Cash Equivalents		
Increase (decrease) for the period	3.2	(77.8)
Balance at the beginning of the period	111.4	175.7
Balance at the end of the period	\$114.6	\$97.9

See notes to unaudited condensed consolidated financial statements.

Table of ContentsHYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Class A Common Stock	Class B Common Stock	Treasury Stock	Capital in Excess of Par Value	Retained Earnings	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)	Deferred Gain (Loss) on Cash Adjustment Flow Hedging	Pension	Total Stockholders' Equity	Noncontrol- ling Interest	Total Equity
	(In millions)											
Balance, January 1, 2014	\$0.1	\$0.1	\$(3.4)	\$320.6	\$188.4	\$1.3	\$(1.9)	\$(55.4)		\$449.8	\$1.1	\$450.9
Stock-based compensation	—	—	—	4.1	—	—	—	—	—	4.1	—	4.1
Stock issued under stock compensation plans	—	—	2.4	(2.4)	—	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	(36.8)	—	—	—	—	—	—	(36.8)	—	(36.8)
Net income attributable to stockholders	—	—	—	—	83.4	—	—	—	—	83.4	—	83.4
Cash dividends on Class A and Class B common stock: \$0.800 per share	—	—	—	—	(13.4)	—	—	—	—	(13.4)	—	(13.4)
Current period other comprehensive income (loss)	—	—	—	—	—	(22.4)	1.5	(0.4)	(21.3)	—	—	(21.3)
Reclassification adjustment to net income	—	—	—	—	—	—	2.1	3.3	5.4	—	—	5.4
Net income attributable to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	0.2	0.2
Balance, September 30, 2014	\$0.1	\$0.1	\$(37.8)	\$322.3	\$258.4	\$(21.1)	\$1.7	\$(52.5)		\$471.2	\$1.3	\$472.5
Balance, January 1, 2015	\$0.1	\$0.1	\$(49.1)	\$324.1	\$280.4	\$(40.4)	\$(2.0)	\$(58.7)		\$454.5	\$1.5	\$456.0
Stock-based compensation	—	—	—	2.1	—	—	—	—	—	2.1	—	2.1

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

Stock issued under stock compensation plans	—	—	6.4	(6.4)	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	(0.1)	—	—	—	—	(0.1)	—	(0.1)	—
Net income attributable to stockholders	—	—	—	—	57.5	—	—	—	57.5	—	57.5
Cash dividends on Class A and Class B common stock: \$0.845 per share	—	—	—	—	(13.8)	—	—	—	(13.8)	—	(13.8)
Current period other comprehensive income (loss)	—	—	—	—	—	(45.9)	(0.8)	(0.5)	(47.2)	—	(47.2)
Reclassification adjustment to net income	—	—	—	—	—	—	1.9	1.7	3.6	—	3.6
Net income attributable to noncontrolling interest	—	—	—	—	—	—	—	—	—	0.3	0.3
Balance, September 30, 2015	\$0.1	\$0.1	\$(42.8)	\$319.8	\$324.1	\$(86.3)	\$(0.9)	\$(57.5)	\$456.6	\$1.8	\$458.4

See notes to unaudited condensed consolidated financial statements.

Table of Contents

HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(Tabular Amounts in Millions, Except Per Share and Percentage Data)

Note 1—Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Hyster-Yale Materials Handling, Inc., a Delaware corporation, and the accounts of Hyster-Yale's wholly-owned domestic and international subsidiaries (collectively, "Hyster-Yale" or the "Company"). Also included is Shanghai Hyster Forklift Ltd., a 75%-owned joint venture in China. All intercompany accounts and transactions among the consolidated companies are eliminated in consolidation.

The Company, through its wholly-owned subsidiary, NACCO Materials Handling Group, Inc. ("NMHG"), designs, engineers, manufactures, sells and services a comprehensive line of lift trucks and aftermarket parts marketed globally primarily under the Hyster® and Yale® brand names, mainly to independent Hyster® and Yale® retail dealerships. Lift trucks and component parts are manufactured in the United States, Northern Ireland, Mexico, the Netherlands, the Philippines, Brazil, Japan, Italy, Vietnam and China.

On December 18, 2014, the Company acquired Nuvera Fuel Cells, Inc. ("Nuvera"). Nuvera is an alternative-power technology company focused on fuel cell stacks and related systems. Nuvera is also focused on supporting on-site hydrogen production and dispensing systems that are designed to deliver clean energy solutions to customers.

Investments in Sumitomo-NACCO Materials Handling Company, Ltd. ("SN"), a 50%-owned joint venture, and NMHG Financial Services, Inc. ("NFS"), a 20%-owned joint venture, are accounted for by the equity method. SN operates manufacturing facilities in Japan, the Philippines and Vietnam from which the Company purchases certain components, service parts and lift trucks. Sumitomo Heavy Industries, Ltd. ("Sumitomo") owns the remaining 50% interest in SN. Each stockholder of SN is entitled to appoint directors representing 50% of the vote of SN's board of directors. All matters related to policies and programs of operation, manufacturing and sales activities require mutual agreement between the Company and Sumitomo prior to a vote of SN's board of directors. NFS is a joint venture with General Electric Capital Corporation ("GECC"), formed primarily for the purpose of providing financial services to independent Hyster® and Yale® lift truck dealers and National Account customers in the United States. National Account customers are large customers with centralized purchasing and geographically dispersed operations in multiple dealer territories. The Company's percentage share of the net income or loss from these equity investments is reported on the line "Income from unconsolidated affiliates" in the "Other (income) expense" portion of the unaudited condensed consolidated statements of operations.

These financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of the Company as of September 30, 2015 and the results of its operations for the three and nine months ended September 30, 2015 and 2014 and the results of its cash flows and changes in equity for the nine months ended September 30, 2015 and 2014 have been included. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

The accompanying unaudited condensed consolidated balance sheet at December 31, 2014 has been derived from the audited financial statements at that date but does not include all of the information or notes required by U.S. generally accepted accounting principles for complete financial statements.

Table of Contents

Note 2—Recently Issued Accounting Standards

Recently Issued Accounting Standards

The following table provides a brief description of a recent accounting pronouncement adopted January 1, 2015. The adoption of this standard did not have a material effect on the Company's financial position, results of operations, cash flows or related disclosures.

Standard	Description
ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity	The guidance changes the criteria for reporting discontinued operations to only those disposals which represent a strategic shift in operations. In addition, the new guidance requires expanded disclosures about discontinued operations, including pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting.

The following table provides a brief description of recent accounting pronouncements not yet adopted:

Standard	Description	Date of Adoption	Effect on the financial statements or other significant matters
ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)	The new guidance is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.	January 1, 2018	The Company is currently evaluating the alternative methods of adoption and the effect on its financial position, results of operations, cash flows and related disclosures.
ASU No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern	The guidance requires management to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued.	December 31, 2016	The Company does not expect the adoption of the guidance to have a material effect on its financial position, results of operations, cash flows or related disclosures.
ASU No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs	The guidance is intended to simplify the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts.	January 1, 2016	The Company does not expect the adoption of the guidance to have a material effect on its financial position, results of operations, cash flows or related disclosures.

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

ASU No. 2015-05, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement	The guidance clarifies the accounting for cloud computing arrangements including a software license and cloud computing arrangements that do not include a software license that should be accounted for as a service contract.	January 1, 2016	The Company is currently evaluating the effect of adoption on its financial position, results of operations, cash flows and related disclosures.
ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory	The guidance requires inventory to be measured at the lower of cost or net realizable value. The guidance defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.	January 1, 2016	The Company is currently evaluating the effect of adoption on its financial position, results of operations, cash flows and related disclosures.

Table of Contents

Note 3—Business Segments

The Company's reportable segments for the lift truck business include the following three management units: the Americas, Europe and Asia-Pacific. Americas includes operations in the United States, Canada, Mexico, Brazil, Latin America and the corporate headquarters. Europe includes operations in Europe, the Middle East and Africa. Asia-Pacific includes operations in the Asia-Pacific region including China, as well as the equity earnings of SN operations. Certain amounts are allocated to these geographic management units and are included in the segment results presented below, including product development costs, corporate headquarter's expenses and certain information technology infrastructure costs. These allocations among geographic management units are determined by senior management and not directly incurred by the geographic operations. In addition, other costs are incurred directly by these geographic management units based upon the location of the manufacturing plant or sales units, including manufacturing variances, product liability, warranty and sales discounts, which may not be associated with the geographic management unit of the ultimate end user sales location where revenues and margins are reported. Therefore, the reported results of each segment for the lift truck business cannot be considered stand-alone entities as all segments are inter-related and integrate into a single global lift truck business.

On December 18, 2014, the Company acquired Nuvera, which is reported as a separate segment.

Financial information for each reportable segment is presented in the following table:

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2015	2014	2015	2014
Revenues from external customers				
Americas	\$454.1	\$479.1	\$1,333.9	\$1,376.8
Europe	145.1	163.5	448.9	516.7
Asia-Pacific	52.4	53.2	148.2	163.0
Lift truck business	651.6	695.8	1,931.0	2,056.5
Nuvera	0.5	—	2.1	—
Total	\$652.1	\$695.8	\$1,933.1	\$2,056.5
Gross profit (loss)				
Americas	\$78.8	\$76.2	\$225.7	\$219.7
Europe	22.5	28.2	77.4	93.1
Asia-Pacific	5.6	6.9	18.5	17.5
Lift truck business	106.9	111.3	321.6	330.3
Nuvera	(0.2)	) —	(1.4)) —
Total	\$106.7	\$111.3	\$320.2	\$330.3
Operating profit (loss)				
Americas	\$35.5	\$31.1	\$83.9	\$94.7
Europe	0.2	4.4	12.2	21.5
Asia-Pacific	(0.1)	) 0.8	(0.3)	) (0.6)
Lift truck business	35.6	36.3	95.8	115.6
Nuvera	(6.6)	) —	(18.5)) —
Total	\$29.0	\$36.3	\$77.3	\$115.6
Net income (loss) attributable to stockholders				
Americas	\$24.3	\$24.0	\$57.9	\$65.9
Europe	—	3.5	9.9	17.3
Asia-Pacific	0.6	0.9	0.8	0.2
Lift truck business	24.9	28.4	68.6	83.4

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

Nuvera	(4.0	) —	(11.1) —
Total	\$20.9	\$28.4	\$57.5	\$83.4

9

Table of Contents

Note 4—Income Taxes

The income tax provision includes U.S. federal, state and local, and foreign income taxes and is based on the application of a forecasted annual income tax rate applied to the current quarter's year-to-date pre-tax income or loss. In determining the estimated annual effective income tax rate, the Company analyzes various factors, including projections of the Company's annual earnings, taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, the Company's ability to use tax credits and net operating loss carryforwards and capital loss carryforwards, and available tax planning alternatives. Discrete items, including the effect of changes in tax laws, tax rates and certain circumstances with respect to valuation allowances or the tax effect of other unusual or non-recurring transactions or adjustments are reflected in the period in which they occur as an addition to, or reduction from, the income tax provision, rather than included in the estimated effective annual income tax rate.

A reconciliation of the consolidated federal statutory to effective income tax is as follows:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30		SEPTEMBER 30	
	2015	2014	2015	2014
Income before income taxes	\$28.4	\$36.9	\$75.5	\$117.2
Gain on sale of assets	—	—	—	17.7
	\$28.4	\$36.9	\$75.5	\$99.5
Statutory taxes at 35%	\$9.9	\$12.9	\$26.4	\$34.8
Permanent adjustments:				
Non-U.S. rate differences	(3.2)	(3.5)	(7.0)	(7.6)
State income taxes	0.8	0.9	2.0	2.1
Other	(0.1)	(0.2)	(0.5)	(0.9)
	\$(2.5)	\$(2.8)	\$(5.5)	\$(6.4)
Discrete items:				
Provision to return adjustments	(0.6)	(1.9)	(0.6)	(1.9)
Repatriation	—	—	(3.7)	—
Other	0.6	0.2	1.1	0.9
Discrete items	\$—	\$(1.7)	\$(3.2)	\$(1.0)
Income tax expense on gain on sale of assets	—	—	—	6.2
Income tax provision	\$7.4	\$8.4	\$17.7	\$33.6
Effective income tax rate	26.1	% 22.8	% 23.4	% 28.7

During the nine months ended September 30, 2015, the Company recognized a tax benefit from an internal sale of a subsidiary between consolidated companies resulting in the repatriation of non-U.S. accumulated earnings taxed at higher rates.

During the three and nine months ended September 30, 2014, the Company recognized discrete tax items primarily related to certain foreign earnings and repatriations and the effect of U.S. tax deductions for manufacturing activities. In addition, during the first nine months of 2014, the Company recognized a gain on the sale of real estate and an operating facility in Brazil of \$17.7 million, and related income tax expense of \$6.2 million. The income tax expense related to the gain was considered an

unusual and non-recurring transaction and excluded from the computation of the estimated effective annual tax rate.

Table of Contents

Note 5—Reclassifications from OCI

The following table summarizes reclassifications out of accumulated other comprehensive income (loss) ("OCI") as recorded in the unaudited condensed consolidated statements of operations:

Details about OCI Components	Amount Reclassified from OCI				Affected Line Item in the Statement Where Net Income Is Presented
	THREE MONTHS ENDED		NINE MONTHS ENDED		
	SEPTEMBER 30 2015	2014	SEPTEMBER 30 2015	2014	
Gain (loss) on cash flow hedges:					
Interest rate contracts	\$—	\$—	\$—	\$0.8	Other
Foreign exchange contracts	(2.1	) (2.3	) (6.5	) (3.9	) Cost of sales
Total before tax	(2.1	) (2.3	) (6.5	) (3.1	) Income before income taxes
Tax benefit	1.4	1.1	4.6	1.0	Income tax provision
Net of tax	\$(0.7	) \$(1.2	) \$(1.9	) \$(2.1	) Net income
Amortization of defined benefit pension items:					
Actuarial loss	\$(0.9	) \$(1.4	) \$(2.7	) \$(4.6	) (a)
Prior service credit	—	0.1	0.2	0.2	(a)
Transition liability	—	(0.1	) (0.1	) (0.1	) (a)
Total before tax	(0.9	) (1.4	) (2.6	) (4.5	) Income before income taxes
Tax benefit	0.4	0.4	0.9	1.2	Income tax provision
Net of tax	\$(0.5	) \$(1.0	) \$(1.7	) \$(3.3	) Net income
Total reclassifications for the period	\$(1.2	) \$(2.2	) \$(3.6	) \$(5.4)

(a) These OCI components are included in the computation of net pension cost (see Note 7 for additional details).

Note 6—Financial Instruments and Derivative Financial Instruments

Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term maturities of these instruments. The fair values of revolving credit agreements and long-term debt, excluding capital leases, were determined using current rates offered for similar obligations taking into account company credit risk. This valuation methodology is Level 2 as defined in the fair value hierarchy. At September 30, 2015, the fair value and book value of revolving credit agreements and long-term debt, excluding capital leases, was \$28.1 million. At December 31, 2014, the fair value and book value of revolving credit agreements and long-term debt, excluding capital leases, was \$19.2 million.

Derivative Financial Instruments

The Company uses forward foreign currency exchange contracts to partially reduce risks related to transactions denominated in foreign currencies. These contracts hedge firm commitments and forecasted transactions relating to cash flows associated with sales and purchases denominated in non-functional currencies. The Company offsets fair value amounts related to foreign currency exchange contracts executed with the same counterparty. Changes in the fair value of forward foreign currency exchange contracts that are effective as hedges are recorded in OCI. Deferred

gains or losses are reclassified from OCI to the unaudited condensed consolidated statements of operations in the same period as the gains or losses from the underlying transactions are recorded and are generally recognized in cost of sales. The ineffective portion of derivatives that are classified as hedges is immediately recognized in earnings and is also generally recognized in cost of sales.

Certain of the Company's forward foreign currency contracts were designated as net investment hedges of the Company's net investment in its foreign subsidiaries. For derivative instruments that were designated and qualified as a hedge of a net investment in foreign currency, the gain or loss was reported in other comprehensive income as part of the cumulative translation adjustment to the extent it was effective. The Company utilizes the forward-rate method of assessing hedge effectiveness. Any ineffective portion of net investment hedges would be recognized in the unaudited condensed consolidated statement of operations in the same period as the change.

Table of Contents

The Company periodically enters into foreign currency exchange contracts that do not meet the criteria for hedge accounting. These derivatives are used to reduce the Company's exposure to foreign currency risk related to forecasted purchase or sales transactions or forecasted intercompany cash payments or settlements. Gains and losses on these derivatives are generally recognized in cost of sales. The Company does not currently hold any nonderivative instruments designated as hedges or any derivatives designated as fair value hedges.

The Company has interest rate swap agreements that do not meet the criteria for hedge accounting. The terms of the interest rate swap agreements require the Company to receive a variable interest rate based upon the three-month LIBOR and pay a fixed interest rate. Changes in the fair value of interest rate swap agreements are immediately recognized in earnings and included on the line "Other" in the "Other (income) expense" section of the unaudited condensed consolidated statements of operations.

Cash flows from hedging activities are reported in the unaudited condensed consolidated statements of cash flows with the same classification as the hedged item, generally as a component of cash flows from operations.

The Company measures its derivatives at fair value on a recurring basis using significant observable inputs. This valuation methodology is Level 2 as defined in the fair value hierarchy. The Company uses a present value technique that incorporates yield curves and foreign currency spot rates to value its derivatives and also incorporates the effect of the Company's and its counterparties' credit risk into the valuation.

Foreign Currency Derivatives: The Company held forward foreign currency exchange contracts with total notional amounts of \$651.6 million at September 30, 2015, primarily denominated in euros, Japanese yen, Swedish kroner, British pounds, Mexican pesos and Australian dollars. The Company held forward foreign currency exchange contracts with total notional amounts of \$510.8 million at December 31, 2014, primarily denominated in euros, Japanese yen, Swedish kroner, British pounds, Mexican pesos and Australian dollars. The fair value of these contracts approximated a net liability of \$1.4 million and \$5.6 million at September 30, 2015 and December 31, 2014, respectively.

Forward foreign currency exchange contracts that qualify for hedge accounting are generally used to hedge transactions expected to occur within the next 27 months. The mark-to-market effect of forward foreign currency exchange contracts that are considered effective as hedges has been included in OCI. Based on market valuations at September 30, 2015, \$2.6 million of the amount included in OCI is expected to be reclassified as a loss into the unaudited condensed consolidated statement of operations over the next twelve months, as the transactions occur.

Interest Rate Derivatives: The Company held interest rate contracts with a total notional amount of \$100.0 million at September 30, 2015. The fair value of interest rate swap agreements was a net liability of \$1.4 million at September 30, 2015 and a net asset \$0.3 million at December 31, 2014.

Table of Contents

The following table summarizes the fair value of derivative instruments reflected on a gross basis by contract as recorded in the unaudited condensed consolidated balance sheets:

		Asset Derivatives		Liability Derivatives		
Balance Sheet Location		SEPTEMBER 30 2015	DECEMBER 31 2014	Balance Sheet Location	SEPTEMBER 30 2015	DECEMBER 31 2014
Derivatives designated as hedging instruments						
Cash Flow Hedges						
Foreign currency exchange contracts						
Current	Prepaid expenses and other	\$ 3.7	\$ 4.6	Prepaid expenses and other	\$ 2.6	\$ 2.4
	Other current liabilities	4.6	3.5	Other current liabilities	8.3	8.8
Long-term	Other non-current assets	0.8	0.9	Other long-term liabilities	1.2	3.1
Total derivatives designated as hedging instruments		\$ 9.1	\$ 9.0		\$ 12.1	\$ 14.3
Derivatives not designated as hedging instruments						
Cash Flow Hedges						
Interest rate swap agreements						
Current	Other current liabilities	\$ —	\$ —	Other current liabilities	\$ 1.0	\$ 1.0
Long-term	Other non-current assets	—	1.3	Other long-term liabilities	0.4	—
Foreign currency exchange contracts						
Current	Prepaid expenses and other	3.8	4.3	Prepaid expenses and other	0.4	2.7
	Other current liabilities	0.5	0.6	Other current liabilities	2.3	2.5
Total derivatives not designated as hedging instruments		\$ 4.3	\$ 6.2		\$ 4.1	\$ 6.2
Total derivatives		\$ 13.4	\$ 15.2		\$ 16.2	\$ 20.5

The following table summarizes the offsetting of the fair value of derivative instruments on a gross basis by counterparty at September 30, 2015 and December 31, 2014 as recorded in the unaudited condensed consolidated balance sheets:

	Derivative Assets as of September 30, 2015				Derivative Liabilities as of September 30, 2015			
	Gross Amounts of Recognized Assets	Gross Amounts Offset	Net Amounts Presented	Net Amount	Gross Amounts of Recognized Liabilities	Gross Amounts Offset	Net Amounts Presented	Net Amount
Cash Flow Hedges								
Interest rate swap agreements	\$—	\$—	\$—	\$—	\$1.4	\$—	\$1.4	\$1.4

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

Foreign currency exchange contracts	5.3	(5.3	)	—	—	6.7	(5.3	)	1.4	1.4
Total derivatives	\$5.3	\$(5.3	)	\$—	\$—	\$8.1	\$(5.3	)	\$2.8	\$2.8

Derivative Assets as of December 31, 2014

Derivative Liabilities as of December 31, 2014

	Derivative Assets as of December 31, 2014				Derivative Liabilities as of December 31, 2014					
	Gross Amounts of Recognized Assets	Gross Amounts Offset	Net Amounts Presented	Net Amount	Gross Amounts of Recognized Liabilities	Gross Amounts Offset	Net Amounts Presented	Net Amount		
Cash Flow Hedges										
Interest rate swap agreements	\$1.3	\$(1.0	)	\$0.3	\$0.3	\$1.0	\$(1.0)	\$—	\$—
Foreign currency exchange contracts	4.7	(4.7	)	—	—	10.3	(4.7	)	5.6	5.6
Total derivatives	\$6.0	\$(5.7	)	\$0.3	\$0.3	\$11.3	\$(5.7	)	\$5.6	\$5.6

Table of Contents

The following table summarizes the pre-tax impact of derivative instruments for the three and nine months ended September 30, 2015 and 2014 as recorded in the unaudited condensed consolidated statements of operations:

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)				Location of Gain or (Loss) Reclassified from OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from OCI into Income (Effective Portion)				Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)			
	THREE MONTHS ENDED SEPTEMBER 30, 2015		NINE MONTHS ENDED SEPTEMBER 30, 2015			THREE MONTHS ENDED SEPTEMBER 30, 2014		NINE MONTHS ENDED SEPTEMBER 30, 2014			THREE MONTHS ENDED SEPTEMBER 30, 2015		NINE MONTHS ENDED SEPTEMBER 30, 2015	
Derivatives designated as hedging instruments	2015	2014	2015	2014		2015	2014	2015	2014	Other	2015	2014	2015	2014
Cash Flow Hedges														
Interest rate swap agreements	\$—	\$—	\$—	\$(1.6)	Interest expense	\$—	\$—	\$—	\$—	Other	\$—	\$—	\$—	\$—
Foreign currency exchange contracts	(1.1)	(1.4)	(4.1)	0.5	Cost of sales	(2.1)	(2.3)	(6.5)	(3.9)	Cost of sales	—	—	—	—
	\$(1.1)	\$(1.4)	\$(4.1)	\$(1.1)		\$(2.1)	\$(2.3)	\$(6.5)	\$(3.9)		\$—	\$—	\$—	\$—
Net Investment Hedges														
Foreign currency exchange contracts	\$—	\$—	\$—	\$0.4	N/A	\$—	\$—	\$—	\$—	N/A	\$—	\$—	\$—	\$—
Total	\$(1.1)	\$(1.4)	\$(4.1)	\$(0.7)		\$(2.1)	\$(2.3)	\$(6.5)	\$(3.9)		\$—	\$—	\$—	\$—

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	2015	2014	2015	2014
Cash Flow Hedges					
Interest rate swap agreements	Other	\$(1.0)	\$0.6	\$(1.6)	\$0.6
Foreign currency exchange contracts	Cost of sales	2.7	(0.9)	2.4	(0.9)
Total		\$1.7	\$(0.3)	\$0.8	\$0.3

Note 7—Retirement Benefit Plans

The Company maintains various defined benefit pension plans that provide benefits based on years of service and average compensation during certain periods. The Company's policy is to make contributions to fund these plans within the range allowed by applicable regulations. Plan assets consist primarily of publicly traded stocks and government and corporate bonds.

Pension benefits for employees covered under the Company's U.S. and U.K. plans are frozen. Only certain grandfathered employees in the Netherlands still earn retirement benefits under a defined benefit pension plan. All other eligible employees of the Company, including employees whose pension benefits are frozen, receive retirement benefits under defined contribution retirement plans.

During the third quarter of 2015, the Company recognized a settlement loss of \$1.2 million resulting from lump-sum distributions exceeding the total projected interest cost for the plan year for one of its U.S. pension plans. The Company remeasured the plan as of September 30, 2015 using a discount rate of 4.00% compared to the December 31, 2014 discount rate of 3.65%. As a result of the remeasurement, the funded status of the plan decreased by \$2.0 million and accumulated other comprehensive income increased by \$0.9 million (\$0.5 million net of tax).

Table of Contents

The Company previously disclosed in its Annual Report on Form 10-K for the year ended December 31, 2014 that it expected to contribute approximately \$3.0 million to its non-U.S. pension plans in 2015. The Company now expects to contribute approximately \$1.2 million to its non-U.S. pension plans in 2015.

The components of pension (income) expense are set forth below:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30		SEPTEMBER 30	
	2015	2014	2015	2014
U.S. Pension				
Service cost	\$—	\$—	\$—	\$—
Interest cost	0.7	0.8	2.2	2.5
Expected return on plan assets	(1.4)	(1.4)	(4.2)	(4.3)
Settlement loss	1.2	—	1.2	—
Amortization of actuarial loss	0.4	0.4	1.2	1.1
Amortization of prior service credit	—	(0.1)	(0.2)	(0.2)
Total	\$0.9	\$(0.3)	\$0.2	\$(0.9)
Non-U.S. Pension				
Service cost	\$—	\$0.5	\$0.1	\$1.7
Interest cost	1.4	1.7	4.2	5.3
Expected return on plan assets	(2.4)	(2.7)	(7.2)	(7.7)
Amortization of actuarial loss	0.5	1.0	1.5	3.5
Amortization of transition liability	—	0.1	0.1	0.1
Total	\$(0.5)	\$0.6	\$(1.3)	\$2.9

Note 8—Inventories

Inventories are summarized as follows:

	SEPTEMBER 30	DECEMBER 31
	2015	2014
Finished goods and service parts	\$ 173.9	\$ 179.4
Raw materials and work in process	212.8	211.2
Total manufactured inventories	386.7	390.6
LIFO reserve	(43.6)	(48.1)
Total inventory	\$ 343.1	\$ 342.5

The cost of certain manufactured inventories, including service parts, has been determined using the last-in-first-out (“LIFO”) method. At September 30, 2015 and December 31, 2014, 57% and 52%, respectively, of total inventories were determined using the LIFO method. An actual valuation of inventory under the LIFO method can be made only at the end of the year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must be based on management's estimates of expected year-end inventory levels and costs. Because these estimates are subject to change and may be different than the actual inventory levels and costs at the end of the year, interim results are subject to the final year-end LIFO inventory valuation.

Note 9—Product Warranties

The Company provides a standard warranty on its lift trucks, generally for twelve months or 1,000 to 2,000 hours. For certain components in some series of lift trucks, the Company provides a standard warranty of two to three years or 4,000 to 6,000 hours. The Company estimates the costs which may be incurred under its standard warranty programs and records a liability for such costs at the time product revenue is recognized.

In addition, the Company sells separately-priced extended warranty agreements which generally provide a warranty for an additional two to five years or up to 2,400 to 10,000 hours. The specific terms and conditions of those warranties vary

15

Table of Contents

depending upon the product sold and the country in which the Company does business. Revenue received for the sale of extended warranty contracts is deferred and recognized in the same manner as the costs incurred to perform under the warranty contracts.

The Company also maintains a quality enhancement program under which it provides for specifically identified field product improvements in its warranty obligation. Accruals under this program are determined based on estimates of the potential number of claims and the cost of those claims based on historical costs.

The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. Factors that affect the warranty liability include the number of units sold, historical and anticipated rates of warranty claims and the cost per claim.

Changes in the Company's current and long-term warranty obligations, including deferred revenue on extended warranty contracts, are as follows:

	2015	
Balance at January 1	\$51.1	
Current year warranty expense	27.8	
Change in estimate related to pre-existing warranties	(3.1)
Payments made	(18.6)
Foreign currency effect	(1.1)
Balance at September 30	\$56.1	

Note 10—Contingencies

Various legal and regulatory proceedings and claims have been or may be asserted against the Company relating to the conduct of its businesses, including product liability, environmental and other claims. These proceedings and claims are incidental to the ordinary course of business. Management believes that it has meritorious defenses and will vigorously defend the Company in these actions. Any costs that management estimates will be paid as a result of these claims are accrued when the liability is considered probable and the amount can be reasonably estimated. Although the ultimate disposition of these proceedings is not presently determinable, management believes, after consultation with its legal counsel, that the likelihood is remote that costs will be incurred materially in excess of accruals already recognized.

Note 11—Guarantees

Under various financing arrangements for certain customers, including independent retail dealerships, the Company provides recourse or repurchase obligations such that it would be obligated in the event of default by the customer. Terms of the third-party financing arrangements for which the Company is providing recourse or repurchase obligations generally range from one to five years. Total amounts subject to recourse or repurchase obligations at September 30, 2015 and December 31, 2014 were \$185.1 million and \$176.1 million, respectively. As of September 30, 2015, losses anticipated under the terms of the recourse or repurchase obligations were not significant and reserves have been provided for such losses based on historical experience in the accompanying unaudited condensed consolidated financial statements. The Company generally retains a security interest in the related assets financed such that, in the event the Company would become obligated under the terms of the recourse or repurchase obligations, the Company would take title to the assets financed. The fair value of collateral held at September 30, 2015 was approximately \$243.7 million based on Company estimates. The Company estimates the fair value of the collateral using information regarding the original sales price, the current age of the equipment and general market conditions that influence the value of both new and used lift trucks. The Company also regularly monitors the external credit ratings of the entities for which it has provided recourse or repurchase obligations. As of September 30, 2015,

the Company did not believe there was a significant risk of non-payment or non-performance of the obligations by these entities; however, there can be no assurance that the risk may not increase in the future. In addition, the Company has an agreement with GECC to limit its exposure to losses at certain eligible dealers. Under this agreement, losses related to \$44.8 million of recourse or repurchase obligations for these certain eligible dealers are limited to 7.5% of their original loan balance, or \$8.2 million as of September 30, 2015. The \$44.8 million is included in the \$185.1 million of total amounts subject to recourse or repurchase obligations at September 30, 2015.

Generally, the Company sells lift trucks through its independent dealer network or directly to customers. These dealers and customers may enter into a financing transaction with NFS or other unrelated third parties. NFS provides debt and lease financing to both dealers and customers. On occasion, the credit quality of a customer or credit concentration issues within

Table of Contents

GECC may require the Company to provide recourse or repurchase obligations of the lift trucks purchased by customers and financed through NFS. At September 30, 2015, approximately \$162.8 million of the Company's total recourse or repurchase obligations of \$185.1 million related to transactions with NFS. In connection with the joint venture agreement, the Company also provides a guarantee to GECC for 20% of NFS' debt with GECC, such that the Company would become liable under the terms of NFS' debt agreements with GECC in the case of default by NFS. At September 30, 2015, loans from GECC to NFS totaled \$913.9 million. Although the Company's contractual guarantee was \$182.8 million, the loans by GECC to NFS are secured by NFS' customer receivables, of which the Company guarantees \$162.8 million. Excluding the NFS receivables guaranteed by the Company from NFS' loans to GECC, the Company's incremental obligation as a result of this guarantee to GECC is \$157.6 million, which is secured by 20% of NFS' customer receivables and other secured assets of \$229.9 million. NFS has not defaulted under the terms of this debt financing in the past, and although there can be no assurances, the Company is not aware of any circumstances that would cause NFS to default in future periods.

The following table includes the exposure amounts related to the Company's guarantees at September 30, 2015:

	NFS	Total
Total recourse or repurchase obligations	\$162.8	\$185.1
Less: exposure limited for certain dealers	44.8	44.8
Plus: 7.5% of original loan balance	8.2	8.2
	126.2	148.5
Incremental obligation related to guarantee to GECC	157.6	157.6
Total exposure related to guarantees	\$283.8	\$306.1

Note 12—Equity Investments

The Company maintains an interest in one variable interest entity, NFS. NFS is a joint venture with GECC formed primarily for the purpose of providing financial services to independent Hyster® and Yale® lift truck dealers and National Account customers in the United States and is included in the Americas segment. The Company does not have a controlling financial interest or have the power to direct the activities that most significantly affect the economic performance of NFS. Therefore, the Company has concluded that the Company is not the primary beneficiary and uses the equity method to account for its 20% interest in NFS. The Company does not consider its variable interest in NFS to be significant.

The Company has a 50% ownership interest in SN, a limited liability company which was formed primarily to manufacture and distribute Sumitomo-branded lift trucks in Japan and export Hyster®- and Yale®-branded lift trucks and related components and service parts outside of Japan. The Company purchases products from SN under agreed-upon terms. The Company's ownership in SN is also accounted for using the equity method of accounting and is included in the Asia-Pacific segment.

The Company's percentage share of the net income or loss from its equity investments in NFS and SN is reported on the line "Income from unconsolidated affiliates" in the "Other (income) expense" section of the unaudited condensed consolidated statements of operations. The Company's equity investments are included on the line "Investment in Unconsolidated Affiliates" in the unaudited condensed consolidated balance sheets. At September 30, 2015 and December 31, 2014, the Company's investment in NFS was \$13.7 million and \$13.5 million, respectively. The Company's investment in SN was \$27.3 million and \$26.1 million at September 30, 2015 and December 31, 2014, respectively.

Summarized financial information for these two equity investments is as follows:

THREE MONTHS ENDED SEPTEMBER 30	NINE MONTHS ENDED SEPTEMBER 30
------------------------------------	-----------------------------------

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

	2015	2014	2015	2014
Revenues	\$79.3	\$84.7	\$236.3	\$254.9
Gross profit	\$23.4	\$27.0	\$71.8	\$78.3
Income from continuing operations	\$5.6	\$5.9	\$15.6	\$15.9
Net income	\$5.6	\$5.9	\$15.6	\$15.9

17

Table of ContentsItem 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations
(Tabular Amounts in Millions, Except Per Share and Percentage Data)

Hyster-Yale Materials Handling, Inc. and its subsidiaries ("Hyster-Yale" or the "Company"), including its operating company, NACCO Materials Handling Group, Inc. ("NMHG"), is a leading designer, engineer, manufacturer, seller and servicer of a comprehensive line of lift trucks and aftermarket parts marketed globally primarily under the Hyster® and Yale® brand names, mainly to independent Hyster® and Yale® retail dealerships. Lift trucks and component parts are manufactured in the United States, Northern Ireland, Mexico, the Netherlands, the Philippines, Brazil, Japan, Italy, Vietnam and China.

On December 18, 2014, the Company acquired Nuvera Fuel Cells, Inc. ("Nuvera"). Nuvera is an alternative-power technology company focused on fuel cell stacks and related systems. Nuvera is also focused on supporting on-site hydrogen production and dispensing systems that are designed to deliver clean energy solutions to customers.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Please refer to the discussion of Critical Accounting Policies and Estimates as disclosed on pages 14 through 17 in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. Critical Accounting Policies and Estimates have not materially changed since December 31, 2014.

FINANCIAL REVIEW

The results of operations for the Company were as follows:

	THREE MONTHS ENDED SEPTEMBER 30		Favorable / (Unfavorable)		NINE MONTHS ENDED SEPTEMBER 30		Favorable / (Unfavorable)	
	2015	2014	% Change		2015	2014	% Change	
Lift truck unit shipments (in thousands)								
Americas	15.2	14.7	3.4	%	42.3	41.8	1.2	%
Europe	5.7	5.3	7.5	%	17.6	17.0	3.5	%
Asia-Pacific	1.5	1.7	(11.8)	)%	4.8	5.3	(9.4))%
	22.4	21.7	3.2	%	64.7	64.1	0.9	%
Revenues								
Americas	\$454.1	\$479.1	(5.2)	)%	\$1,333.9	\$1,376.8	(3.1))%
Europe	145.1	163.5	(11.3)	)%	448.9	516.7	(13.1))%
Asia-Pacific	52.4	53.2	(1.5)	)%	148.2	163.0	(9.1))%
Nuvera	0.5	—	n.m.		2.1	—	n.m.	
	\$652.1	\$695.8	(6.3)	)%	\$1,933.1	\$2,056.5	(6.0))%
Gross profit (loss)								
Americas	\$78.8	\$76.2	3.4	%	\$225.7	\$219.7	2.7	%
Europe	22.5	28.2	(20.2)	)%	77.4	93.1	(16.9))%
Asia-Pacific	5.6	6.9	(18.8)	)%	18.5	17.5	5.7	%
Nuvera	(0.2)	—	n.m.		(1.4)	—	n.m.	
	\$106.7	\$111.3	(4.1)	)%	\$320.2	\$330.3	(3.1))%
Selling, general and administrative expenses								
Americas	\$43.3	\$45.1	4.0	%	\$141.8	\$142.7	0.6	%
Europe	22.3	23.9	6.7	%	65.2	71.7	9.1	%
Asia-Pacific	5.7	6.1	6.6	%	18.8	18.1	(3.9))%

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

Nuvera	6.4	—	n.m.	17.1	—	n.m.
	\$77.7	\$75.1	(3.5)	)% \$242.9	\$232.5	(4.5)%

18

Table of Contents

	THREE MONTHS ENDED SEPTEMBER 30		Favorable / (Unfavorable) % Change	NINE MONTHS ENDED SEPTEMBER 30		Favorable / (Unfavorable) % Change
	2015	2014		2015	2014	
Operating profit (loss)						
Americas	\$35.5	\$31.1	14.1 %	\$83.9	\$94.7	(11.4) %
Europe	0.2	4.4	(95.5) %	12.2	21.5	(43.3) %
Asia-Pacific	(0.1)	0.8	(112.5) %	(0.3)	(0.6)	50.0 %
Nuvera	(6.6)	—	n.m.	(18.5)	—	n.m.
	\$29.0	\$36.3	(20.1) %	\$77.3	\$115.6	(33.1) %
Interest expense	\$1.3	\$1.6	18.8 %	\$3.6	\$3.3	(9.1) %
Other (income) expense	\$(0.7)	\$(2.2)	(68.2) %	\$(1.8)	\$(4.9)	(63.3) %
Net income (loss) attributable to stockholders						
Americas	\$24.3	\$24.0	1.3 %	\$57.9	\$65.9	(12.1) %
Europe	—	3.5	n.m.	9.9	17.3	(42.8) %
Asia-Pacific	0.6	0.9	(33.3) %	0.8	0.2	300.0 %
Nuvera	(4.0)	—	n.m.	(11.1)	—	n.m.
	\$20.9	\$28.4	(26.4) %	\$57.5	\$83.4	(31.1) %
Diluted earnings per share	\$1.28	\$1.70	(24.7) %	\$3.52	\$4.97	(29.2) %
Effective income tax rate	26.1 %	22.8 %		23.4 %	28.7 %	

Following is the detail of the Company's unit shipments, bookings and backlog of unfilled orders placed with its manufacturing and assembly operations for new lift trucks, reflected in thousands of units. As of September 30, 2015, substantially all of the Company's backlog is expected to be sold within the next twelve months.

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2015	2014	2015	2014
Unit backlog, beginning of period	30.9	28.8	28.1	28.2
Unit shipments	(22.4)	(21.7)	(64.7)	(64.1)
Unit bookings	18.6	19.7	63.7	62.7
Unit backlog, end of period	27.1	26.8	27.1	26.8

The following is the detail of the approximate sales value of the Company's lift truck unit bookings and backlog, reflected in millions of dollars. The dollar value of bookings and backlog is calculated using the current unit bookings and backlog and the forecasted average sales price per unit.

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2015	2014	2015	2014
Bookings, approximate sales value	\$450	\$510	\$1,440	\$1,600
Backlog, approximate sales value	\$670	\$720	\$670	\$720

Table of Contents

Third Quarter of 2015 Compared with Third Quarter of 2014

The following table identifies the components of change in revenues for the third quarter of 2015 compared with the third quarter of 2014:

	Revenues
2014	\$695.8
Increase (decrease) in 2015 from:	
Foreign currency	(46.6)
Unit volume and product mix	(10.0)
Unit price	8.7
Other	3.3
Parts	0.9
2015	\$652.1

Revenues decreased 6.3% to \$652.1 million in the third quarter of 2015 from \$695.8 million in the third quarter of 2014. The decrease was mainly due to the strong U.S. dollar during the third quarter of 2015 compared with the third quarter of 2014. In addition, a shift in sales to lower-priced lift trucks was offset by improved unit volume and the impact of price increases during the third quarter of 2015 compared with the third quarter of 2014.

Total shipments in the Americas increased in the third quarter of 2015 compared with the third quarter of 2014, although unit volume improvements in the Americas continue to be negatively affected by the depressed Brazil economy. Revenues in the Americas declined in the third quarter of 2015 from the third quarter of 2014 primarily as a result of a shift in trucks sold from higher-priced Class 5 trucks, including Big Trucks, to lower-priced Class 3 warehouse trucks and unfavorable currency movements of \$13.5 million from the translation of sales into U.S. dollars, which strengthened against the Brazilian real. The decrease was partially offset by price increases implemented in Brazil to offset the impact of the weak Brazilian real, as well as the favorable effect of price increases announced earlier in 2015 in North America.

Europe's revenues declined in the third quarter of 2015 from the third quarter of 2014, mainly as a result of unfavorable currency movements of \$26.7 million, from the translation of sales into U.S. dollars, partially offset by improved unit volume.

Revenues in Asia-Pacific declined slightly in the third quarter of 2015 compared with the third quarter of 2014. The decrease was primarily the result of unfavorable foreign currency movements of \$6.4 million and the effects of lower shipments in China. These items were substantially offset by increased sales of higher-priced Big Trucks in the third quarter of 2015 compared with the third quarter of 2014.

The following table identifies the components of change in operating profit for the third quarter of 2015 compared with the third quarter of 2014:

	Operating Profit
2014	\$36.3
Increase (decrease) in 2015 from:	
Nuvera operations	(6.6)
Gross profit	(4.4)
Selling, general and administrative expenses	3.7
2015	\$29.0

The Company recognized operating profit of \$29.0 million in the third quarter of 2015 compared with \$36.3 million in the third quarter of 2014. The decrease in operating profit was primarily due to the results of Nuvera's operations.

The lift truck business operating profit also decreased. Lower gross profit was partially offset by a decrease in selling, general and administrative expenses. Gross profit decreased primarily due to unfavorable foreign currency movements of \$8.9 million and a shift in sales to lower-margin lift trucks. Gross profit was favorably affected by price increases as well as material cost deflation and lower freight costs. Selling, general and administrative expenses decreased during the third quarter of 2015 compared to the third quarter of 2014 primarily due to favorable foreign currency movements of \$4.5 million and lower incentive compensation estimates.

Table of Contents

Operating profit in the Americas improved in the third quarter of 2015 compared with the third quarter of 2014 primarily as a result of improved gross profit, including the favorable effect of price increases announced earlier in 2015 in North America, as well as price increases in Brazil to offset the impact of the weak real, material cost deflation and lower freight costs. However, while the strength of the U.S. dollar favorably affected gross profit, this was more than offset by the weakened Brazilian real in the third quarter of 2015 compared with the third quarter of 2014. The overall improvement in the Americas gross profit was partially offset by a shift in sales to lower-margin lift trucks. In addition, operating profit was favorably affected by lower selling, general and administrative expenses in the Americas, attributable to lower incentive compensation estimates and favorable currency movements of \$1.4 million. These lower expenses were partially offset by a required non-cash charge of \$1.2 million recognized in the third quarter of 2015 related to the remeasurement of one of the Company's U.S. defined benefit pension plans for the settlement of a portion of this plan for lump-sum payments.

Europe's operating profit declined in the third quarter of 2015 compared with the third quarter of 2014 mainly as a result of lower gross profit from unfavorable currency movements of \$8.0 million, partially offset by the effect of higher unit shipments. The decline in Europe's gross profit was partially offset by lower selling, general and administrative expenses as a result of favorable currency movements of \$2.4 million, partially reduced by an increase in bad debt expense.

The Company recognized net income attributable to stockholders of \$20.9 million in the third quarter of 2015 compared with \$28.4 million in the third quarter of 2014. The decrease was primarily the result of the decline in operating profit.

First Nine Months of 2015 Compared with First Nine Months of 2014

The following table identifies the components of change in revenues for the first nine months of 2015 compared with the first nine months of 2014:

	Revenues
2014	\$2,056.5
Increase (decrease) in 2015 from:	
Foreign currency	(126.0)
Unit volume and product mix	(15.0)
Unit price	7.6
Parts	7.3
Other	2.7
2015	\$1,933.1

Revenues decreased 6.0% to \$1,933.1 million in the first nine months of 2015 from \$2,056.5 million in the first nine months of 2014. The decrease was mainly due to the strong U.S. dollar.

Total shipments in the Americas increased in the first nine months of 2015 compared with the first nine months of 2014, although unit volume improvements in the Americas continue to be reduced by the depressed Brazil economy. However, despite overall higher unit volumes, revenues in the Americas declined in the first nine months of 2015 compared with the first nine months of 2014. The revenue decline was primarily the result of a shift in trucks sold to lower-priced units and unfavorable currency movements of \$26.6 million from the translation of sales into U.S. dollars, which strengthened against the Brazilian real, partially offset by the favorable effect of price increases announced earlier in 2015 in North America, as well as price increases in Brazil to offset the impact of the weak Brazilian real.

Total shipments in Europe increased in the first nine months of 2015 compared with the first nine months of 2014. Despite the increase in shipments, Europe's overall revenues declined in the first nine months of 2015 from the first nine months of 2014, mainly as a result of unfavorable currency movements of \$85.6 million from the translation of sales into U.S. dollars.

Asia-Pacific's revenues declined in the first nine months of 2015 from the first nine months of 2014 primarily as a result of unfavorable foreign currency movements of \$13.8 million.

Table of Contents

The following table identifies the components of change in operating profit for the first nine months of 2015 compared with the first nine months of 2014:

	Operating Profit	
2014	\$115.6	
Gain on sale of assets	(17.7)
	97.9	
Increase (decrease) in 2015 from:		
Nuvera operations	(18.5)
Gross profit	(8.7)
Selling, general and administrative expenses	6.6	
2015	\$77.3	

The Company recognized operating profit of \$77.3 million in the first nine months of 2015 compared with \$115.6 million in the first nine months of 2014. Operating profit for the first nine months of 2015 included the results of Nuvera's operations. In addition, operating profit for the first nine months of 2014 included a gain of \$17.7 million related to the sale of the Brazil real estate and operating facility.

The operating profit of the lift truck business decreased due to lower gross profit, partially offset by lower selling, general and administrative expenses. Gross profit decreased primarily from unfavorable foreign currency movements of \$17.9 million and unfavorable manufacturing variances offset by material cost deflation and price increases in the first nine months of 2015. Selling, general and administrative expenses decreased primarily due to favorable currency movements of \$11.6 million and lower incentive compensation estimates. These improvements were partially offset by higher employee-related costs and an increase in bad debt expense.

Excluding the gain of \$17.7 million related to the sale of the Brazil real estate and operating facility, both gross profit and operating profit in the Americas improved in the first nine months of 2015 compared with the prior year. Gross profit was favorably impacted by the effect of price increases announced earlier in 2015 in North America and price increases in Brazil to offset the impact of the weak Brazilian real. Gross profit also improved from material cost deflation. However, while the strength of the U.S. dollar favorably affected gross profit, this was more than offset by the weakened Brazilian real in the first nine months of 2015 compared with the first nine months of 2014. The overall improvement in the Americas gross profit was partially offset by unfavorable manufacturing variances, mainly due to the transition from the old plant to the new plant in Brazil and weather-related U.S. plant shutdowns during the first quarter of 2015, as well as a shift in sales to lower-margin lift trucks. Selling, general and administrative expenses decreased primarily due to lower incentive compensation estimates and favorable currency movements of \$2.9 million. These improvements were partially offset by \$1.9 million of expense incurred during the first nine months of 2015 as a result of the move to the new Brazil plant and a required non-cash charge of \$1.2 million recognized in the third quarter of 2015 related to the remeasurement of one of the Company's U.S. defined benefit pension plans.

The effect of currency movements significantly reduced Europe's operating profit in the first nine months of 2015 compared with the first nine months of 2014. Benefits realized in gross profit from higher shipments and material cost deflation were more than offset by unfavorable currency movements of \$18.4 million. The decline in Europe's gross profit was partially offset by lower selling, general and administrative expenses as a result of favorable currency movements of \$6.8 million, partially reduced by an increase in bad debt expense.

The Company recognized net income attributable to stockholders of \$57.5 million in the first nine months of 2015 compared with \$83.4 million in the first nine months of 2014. The decrease was primarily the result of the decrease in operating profit partially offset by a \$3.7 million tax benefit recognized in the first nine months of 2015 from an internal sale of a subsidiary between consolidated companies resulting in the repatriation of non-U.S. accumulated

earnings taxed at higher rates. See Note 4 to the unaudited condensed consolidated financial statements for additional information.

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following tables detail the changes in cash flow for the nine months ended September 30:

	2015	2014	Change
Operating activities:			
Net income	\$57.8	\$83.6	\$(25.8)
Depreciation and amortization	22.1	22.4	(0.3)
Gain on sale of assets	—	(17.8)	17.8
Other	8.9	5.1	3.8
Working capital changes	(57.5)	(52.1)	(5.4)
Net cash provided by operating activities	31.3	41.2	(9.9)
Investing activities:			
Expenditures for property, plant and equipment	(28.9)	(31.9)	3.0
Proceeds from the sale of assets	11.0	8.4	2.6
Other	0.9	(0.7)	1.6
Net cash used for investing activities	(17.0)	(24.2)	7.2
Cash flow before financing activities	\$14.3	\$17.0	\$(2.7)

Net cash provided by operating activities decreased \$9.9 million in the first nine months of 2015 compared with the first nine months of 2014 primarily as a result of lower net income, partially offset by the absence of the gain on the sale of the Brazil real estate and operating facility.

The change in net cash used for investing activities during the first nine months of 2015 compared with the first nine months of 2014 is mainly the result of improvements made to manufacturing facilities in the Americas and Europe, of which \$10.8 million were financed in 2015 through sales-leaseback transactions and are included on the line "Proceeds from the sale of assets." This was offset in the first nine months of 2014 by proceeds received of \$8.2 million when the sale of the Brazil real estate and operating facility was completed.

	2015	2014	Change
Financing activities:			
Net additions (reductions) of long-term debt and revolving credit agreements	\$9.1	\$(38.1)	\$47.2
Cash dividends paid	(13.8)	(13.4)	(0.4)
Purchase of treasury stock	(0.1)	(36.8)	36.7
Other	—	(0.2)	0.2
Net cash used for financing activities	\$(4.8)	\$(88.5)	\$83.7

The decrease in net cash used for financing activities during the first nine months of 2015 compared with the first nine months of 2014 was primarily due to repayments of borrowings under the Company's revolving credit facilities during the first nine months of 2014 compared with increased debt in the first nine months of 2015, mainly in Brazil, and lower repurchases of the Company's stock in the first nine months of 2015 compared with the first nine months of 2014.

Financing Activities

The Company has a \$220.0 million secured, floating-rate revolving credit facility (the "Facility") that expires in December 2018. There were no borrowings outstanding under the Facility at September 30, 2015. The excess availability under the Facility at September 30, 2015 was \$213.6 million, which reflects reductions of \$6.4 million for letters of credit. The Facility consists of a U.S. revolving credit facility of \$120.0 million and a non-U.S. revolving credit facility of \$100.0 million. The Facility can be increased up to \$320.0 million over the term of the agreement in minimum increments of \$25.0 million subject to certain conditions. The obligations under the Facility are generally secured by a lien on the working capital assets of the

Table of Contents

borrowers in the Facility, which include but are not limited to, cash and cash equivalents, accounts receivable and inventory. The approximate book value of assets held as collateral under the Facility was \$530 million as of September 30, 2015.

Borrowings bear interest at a floating rate that can be a base rate or LIBOR, as defined in the Facility, plus an applicable margin. The applicable margins, effective September 30, 2015, for U.S. domestic base rate loans and LIBOR loans were 0.50% and 1.50%, respectively. The applicable margin, effective September 30, 2015, for non-U.S. base rate loans and LIBOR loans was 1.50%. The applicable LIBOR interest rates under the Facility on September 30, 2015 were 1.69% and 1.34%, respectively, for the U.S. and non-U.S. facility including the applicable floating rate margin. The Facility also requires the payment of a fee of 0.375% per annum on the unused commitment as of September 30, 2015.

The Facility includes restrictive covenants, which, among other things, limit additional borrowings and investments of the borrowers subject to certain thresholds, as defined in the Facility and limits the payment of dividends. If the minimum availability threshold, as defined in the Facility, is greater than fifteen percent for both total and U.S. revolving credit facilities, the Company may pay dividends subject to maintaining a certain level of availability prior to and upon payment of a dividend and achieving a minimum fixed charge coverage ratio of 1.00 to 1.00, as defined in the Facility. If the minimum availability threshold, as defined in the Facility, is greater than twenty percent for both total and U.S. revolving credit facilities, the Company may pay dividends without any minimum fixed charge coverage ratio requirement. The Facility also requires the Company to achieve a minimum fixed charge coverage ratio in certain circumstances in which total excess availability is less than ten percent of the total commitments under the Facility or excess availability under the U.S. revolving credit facility is less than ten percent of the domestic revolver commitments, as defined in the Facility. At September 30, 2015, the Company was in compliance with the covenants in the Facility.

The Company had other debt outstanding of approximately \$28.1 million at September 30, 2015. In addition to the excess availability under the Facility, the Company had remaining availability of \$25.7 million related to other non-U.S. revolving credit agreements.

The Company believes funds available from cash on hand, the Facility, other available lines of credit and operating cash flows will provide sufficient liquidity to meet its operating needs and commitments during the next twelve months and until the expiration of the Facility in December 2018.

Contractual Obligations, Contingent Liabilities and Commitments

Since December 31, 2014, there have been no significant changes in the total amount of the Company's contractual obligations or commercial commitments, or the timing of cash flows in accordance with those obligations, as reported on pages 24 and 25 in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Capital Expenditures

Expenditures for property, plant and equipment were \$28.9 million during the first nine months of 2015. Capital expenditures are estimated to be an additional \$24.0 million for the remainder of 2015. Planned expenditures for the remainder of 2015 are primarily for product development, improvements at manufacturing locations, manufacturing equipment and improvements to information technology infrastructure. The principal sources of financing for these capital expenditures are expected to be internally generated funds and bank financing.

Capital Structure

Edgar Filing: HYSTER-YALE MATERIALS HANDLING, INC. - Form 10-Q

The Company's capital structure is presented below:

	SEPTEMBER 30 2015	DECEMBER 31 2014	Change
Cash and cash equivalents	\$ 114.6	\$ 111.4	\$3.2
Other net tangible assets	387.1	372.0	15.1
Intangible assets	3.7	4.1	(0.4)
Net assets	505.4	487.5	17.9
Total debt	(47.0)	(31.5)	(15.5)
Total equity	\$ 458.4	\$ 456.0	\$2.4
Debt to total capitalization	9 %	6 %	3 %

Table of Contents

OUTLOOK

Americas Outlook

The Americas market, which experienced reasonably robust demand in most countries except Brazil in the first nine months of 2015, is expected to moderate, while the Brazil market is expected to remain depressed during the fourth quarter of 2015. As a result of these market conditions, the Company anticipates unit shipments and revenues in the Americas to be lower in the fourth quarter of 2015 than in the fourth quarter of 2014, predominantly due to a substantial reduction in units expected to be shipped in Brazil and a currently weak Brazilian real compared with the U.S. dollar. Revenues are also expected to decline as a result of a shift in sales mix to lower-priced lift trucks. The Americas operating profit is also expected to be somewhat lower than in the comparable 2014 period as a result of lower unit margins and unfavorable manufacturing efficiencies mostly offset by material cost deflation.

In 2016, the Company expects the Americas market to continue to moderate compared with 2015, with Brazil declining further from its already depressed levels. Despite these market conditions, unit shipments, revenues and parts sales are expected to increase in 2016 over 2015 due to the Company's success in winning some large customer accounts in 2015. In addition, full year 2016 operating profit in the Americas segment is expected to increase compared with 2015, largely as a result of anticipated improvements in Brazil's operating results due to lower anticipated operating expenses from planned cost reductions and the absence of plant move expenses incurred in 2015.

Europe Outlook

In the fourth quarter of 2015, the overall Europe, Middle East and Africa market is expected to grow moderately compared with the prior year quarter, driven mainly by expected increases in Western Europe. Eastern Europe, Middle East and Africa markets are expected to generally decline, with the Russian market not expected to recover from its currently depressed levels. However, despite the market outlook, Europe anticipates unit shipment increases in the Western Europe and Middle East and Africa markets during the fourth quarter of 2015 compared with the fourth quarter of 2014 as a result of the implementation of the Company's strategic initiatives. Nonetheless, Europe's revenues in the fourth quarter of 2015 are expected to decline compared with the prior year period as the benefits from improved volumes are expected to be more than offset by unfavorable currency translation at current currency rates and a shift in mix to lower-priced lift trucks.

Operating profit in the Europe segment during the remainder of 2015 is expected to decrease substantially from the fourth quarter of 2014 primarily as a result of significant unfavorable foreign currency movements at current currency rates, partially offset by improved unit volumes. During 2015, Europe had currency hedges in place that have mitigated the unfavorable effect of the strengthening U.S. dollar. However, as these hedges expire, the new hedges are not expected to be as favorable, based on current currency rates, in offsetting increased U.S. dollar-based costs currently being incurred. As a result, unfavorable currency movements are expected to have a larger unfavorable impact on results in 2016.

Markets in Europe are expected to continue to grow in 2016, driven by a moderate increase in Western Europe and slight growth in Middle East and Africa, partially offset by a decline in Eastern Europe. As a result, units and parts revenues are expected to increase in 2016. However, despite these improvements, operating profit in the Europe segment is expected to decrease substantially in 2016 compared with 2015 as a result of the reduced favorability of the hedge contracts in place at current currency rates coupled with unfavorable currency movements.

Asia-Pacific Outlook

In the fourth quarter of 2015, the Asia-Pacific market is expected to be down, predominantly due to depressed demand in China and Japan, only partially offset by modest growth in the other markets. China is expected to be off its prior peak levels in the fourth quarter of 2015 following an 11.6% decline in the first nine months of 2015 from the comparable period in 2014. The Company anticipates an overall decline in unit shipments and revenues in Asia-Pacific in the fourth quarter of 2015, with unfavorable currency translation at current currency rates also contributing to the revenue decline.

Fourth-quarter 2015 Asia-Pacific results are expected to be lower than the fourth quarter of 2014 due to a shift in mix to lower-margin products, the expected unit volume decline and higher operating expenses expected as a result of market share gain initiatives.

In 2016, the Asia-Pacific market is expected to continue to weaken. However, as a result of the implementation of the Company's strategic initiatives, shipments, revenues and operating results are expected to increase compared with 2015.

Table of Contents

Overall Lift Truck Outlook

The global market is anticipated to continue to be soft in the fourth quarter of 2015 with all markets, except Western Europe, expected to be lower than in the fourth quarter of 2014. As a result of these market conditions, the Company anticipates consolidated unit shipments in the fourth quarter of 2015 will be lower than the fourth quarter of 2014. In addition, as a result of a shift in sales mix to lower-priced lift trucks and currently weaker foreign currencies, the Company's consolidated revenues are expected to decrease in the fourth quarter of 2015 compared with 2014.

The Company expects fourth-quarter 2015 lift truck segment operating profit to be substantially lower than in the fourth quarter of 2014. Overall, anticipated decreases in unit shipments and unfavorable currency movements, as well as higher costs associated with the continued roll out of a global manufacturing information technology system now being implemented at an additional location, are expected to be partially offset by the effect of price increases earlier in the year, lower estimated incentive compensation and modestly lower material costs.

Fourth-quarter 2015 net income in the lift truck business is also expected to decline from 2014, primarily due to operating profit declines previously highlighted and to a higher effective income tax rate. The effective income tax rate is expected to be higher as a result of non-recurring tax benefits received in 2014 and a higher effective income tax rate in 2015 compared with 2014 attributable to an anticipated increase in the portion of the Company's income from the Americas operations.

Global markets are expected to remain roughly stable in 2016, driven primarily by the Western European market, with a moderating Americas market and weakening Asia-Pacific market. Despite these market conditions, and because of the Company's success in winning some large customer accounts, revenues, unit shipments and parts sales are expected to increase in 2016 compared with 2015. However, the Company expects operating profit in 2016 to be similar to 2015 as the increases in sales and parts volumes are expected to be offset by an anticipated shift in sales mix to lift trucks with lower average profit margins, as well as increased operating expenses. Net income in 2016 is expected to decline moderately from 2015 primarily as a result of a higher effective income tax rate in 2016 compared with 2015.

Commodity costs declined throughout 2015 and are expected to remain at roughly current levels in 2016. However, these commodities, including steel in particular, remain volatile and sensitive to changes in the global economy. The Company will continue to monitor commodity costs, economic conditions, currency movements and the resulting effects on costs and pricing, and will take appropriate pricing actions, if necessary.

Cash flow before financing activities in the lift truck business is expected to be positive in 2015 but down substantially compared with 2014 due to lower net income. Cash flow before financing activities is expected to improve in 2016 compared with 2015.

The Company remains focused on gaining market share in its lift truck business over time by implementing the following key strategic initiatives: (1) understanding customer needs at the product and aftermarket levels, (2) offering the lowest cost of ownership by utilizing the Company's understanding of customers' major cost drivers and developing solutions that consistently lower cost of ownership and create a differentiated competitive position, (3) enhancing independent distribution, (4) improving the Company's warehouse market position, (5) expanding in Asian markets by offering products aimed at the needs of these markets, enhancing Asia distribution and focusing on strategic alliances with local partners, (6) enhancing its Big Truck market position and (7) strengthening its sales and marketing organization in all geographic regions.

To meet the specific application needs of its customers, the Company is focusing on developing utility, standard and premium products, or adding enhancements to existing products, to meet customers' needs. To this end, development

programs or enhancements to existing products are underway for its electric-rider, warehouse, internal combustion engine and big truck product lines.

All of these new products and upgraded products are expected to help increase market share and to improve revenues and to enhance operating margins in the remainder of 2015 and in 2016.

The lift truck business expects to continue to incur moderate incremental expense as it adds sales and marketing capabilities to help further its key strategic initiatives and the lift truck sales opportunities associated with its acquisition of Nuvera. The Nuvera-related costs are expected to be small in the fourth quarter of 2015 but are expected to grow as Nuvera's volume increases in 2016.

Table of Contents

Nuvera Outlook

The Company's acquisition of Nuvera was driven by the Company's view that the fuel cell market for lift trucks has significant growth opportunities. Accordingly, the commercialization of Nuvera's fuel cell technology is one of the Company's key strategic initiatives. As a result of Nuvera's focus on commercializing its fuel cell technology and integrating this technology into the Hyster® and Yale® lift truck product ranges, the Company expects an operating loss of approximately \$5.5 million to \$7.0 million at its Nuvera business during the fourth quarter of 2015. Modest revenues are expected in the fourth quarter of 2015 from sales of Nuvera's PowerTap® units. Revenues from the sale of PowerEdge® units, which can be substituted for lead-acid batteries in Class 1, 2 and 3 lift truck models, are not expected until 2016. Nuvera expects to start booking PowerEdge® units, as well as additional PowerTap® units, during the fourth quarter of 2015. Nuvera secured an agreement with its first Total Power Solutions customer in early October, and expects to begin shipping PowerEdge® units to this customer in the first half of 2016, along with lift trucks and a PowerTap® hydrogen generation system. Nuvera expects to sell the PowerEdge® products to the market at an average selling price of between \$17,500 and \$35,000 depending upon the model. The Company believes its U.S. customers will qualify for the 30% Federal Energy Credit on these PowerEdge® units, which would allow those customers to realize a lower after-tax cost but the tax credit currently expires at the end of 2016.

As a result of PowerEdge® unit production beginning in 2016, the Company expects to generate significant PowerEdge® unit revenues in 2016, and to increase its focus on reducing manufacturing costs per unit as production increases. Overall, Nuvera expects to generate an operating loss in 2016 of approximately \$23 to \$26 million primarily as a result of the costs to commercialize additional Nuvera technology and expand its product line. Nuvera has an objective of reaching a quarterly break-even operating profit by the end of 2017 or so on a run rate of approximately 700 PowerEdge® and ten PowerTap® units per quarter at target margins. Nuvera is also exploring a number of partnership opportunities which would be complementary to its core operating plan and which could potentially accelerate achievement of break-even results.

The Company expects Nuvera to support many of the Company's key strategic initiatives including, in the short-term, meeting customer needs, providing lowest cost of ownership, enhancing its independent distribution and increasing its presence in the warehouse products market. Over the medium-term, Nuvera is expected to support the enhancement of the Company's Big Truck business and help the Company achieve improved revenues in Asia-Pacific. This acquisition also provides the Company with the ability to own, rather than buy, a potential key long-term strategic component for its lift trucks. It also may provide the Company with the ability to participate actively in the growing fuel cell market and expand the Company's offering of best-in-class energy solutions to customers by integrating fuel cells with lift trucks in a way that is expected to optimize the performance and energy efficiency of the combined system. This, in conjunction with the Company's plan to provide full life cycle maintenance, service and fueling requirements, is expected to provide the Company with an opportunity to meet customers' needs and offer a zero-emissions, low overall cost of ownership alternative. Nuvera's PowerTap® hydrogen generator appliance, which produces fuel-cell grade hydrogen, is in commercial production today with an expanding list of customers in multiple applications. Nuvera is also working on enhancing its Orion® fuel cell technology and working with the Company's product engineering group to create an integrated fuel cell power solution as an option in Hyster® and Yale® brand Class 4 and Class 5 lift trucks targeted for production in late 2018.

EFFECTS OF FOREIGN CURRENCY

The Company operates internationally and enters into transactions denominated in foreign currencies. As a result, the Company is subject to the variability that arises from exchange rate movements. The effects of foreign currency fluctuations on revenues, operating profit and net income are addressed in the previous discussions of operating results. See also Item 3, "Quantitative and Qualitative Disclosures About Market Risk," in Part I of this Quarterly Report on Form 10-Q.

FORWARD-LOOKING STATEMENTS

The statements contained in this Form 10-Q that are not historical facts are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are made subject to certain risks and uncertainties, which could cause actual results to differ materially from those presented. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Among the factors that could cause plans, actions and results to differ materially from current expectations are, without limitation: (1) reduction in demand for lift trucks and related aftermarket parts and service on a global basis, (2) the ability of dealers, suppliers and end-users to obtain financing at reasonable rates, or at all, as a result of current economic and market conditions, (3) the political and economic uncertainties in Eastern Europe and Brazil, (4) customer acceptance of pricing, (5) delays in delivery or increases in costs, including transportation costs, of raw materials or sourced products and labor or changes in or unavailability of quality suppliers, (6) exchange rate fluctuations, changes in non-

Table of Contents

U.S. import tariffs and monetary policies and other changes in the regulatory climate in the non-U.S. countries in which the Company operates and/or sells products, (7) delays in manufacturing and delivery schedules, (8) bankruptcy of or loss of major dealers, retail customers or suppliers, (9) customer acceptance of, changes in the costs of, or delays in the development of new products, (10) introduction of new products by, or more favorable product pricing offered by, competitors, (11) product liability or other litigation, warranty claims or returns of products, (12) the effectiveness of the cost reduction programs implemented globally, including the successful implementation of procurement and sourcing initiatives, (13) changes mandated by federal, state and other regulation, including health, safety or environmental legislation, (14) the successful commercialization of Nuvera's technology and (15) the introduction of a more accepted product to the market by a competitor, making the Nuvera technology less marketable.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See pages 29, F-22 through F-24 of the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for a discussion of the Company's derivative hedging policies and use of financial instruments. There have been no material changes in the Company's market risk exposures since December 31, 2014.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures: An evaluation was carried out under the supervision and with the participation of the Company's management, including the principal executive officer and the principal financial officer, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, these officers have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in internal control over financial reporting: During the third quarter of 2015, there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company acquired Nuvera on December 18, 2014 and is currently in the process of integrating Nuvera's processes and internal controls.

PART II
OTHER INFORMATION

Item 1 Legal Proceedings
None

Item 1A Risk Factors
There have been no material changes from risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 in the Section entitled "Risk Factors," as supplemented by the Section entitled "Risk Factors" in the Quarterly Report on Form 10-Q for the three months ended March 31, 2015.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds
None

Item 3 Defaults Upon Senior Securities
None

Item 4 Mine Safety Disclosures
Not applicable

Item 5 Other Information

None

Item 6 Exhibits

Incorporated by reference to the Exhibit Index on page 30 of this Quarterly Report on Form 10-Q for the period ended September 30, 2015.

28

Table of Contents

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Hyster-Yale Materials Handling, Inc.

Date: October 28, 2015

/s/ Kenneth C. Schilling
Kenneth C. Schilling
Senior Vice President and Chief Financial
Officer (principal financial and accounting
officer)

Table of Contents

Exhibit Index

Exhibit

Number*

Description of Exhibits

31(i)(1)	Certification of Alfred M. Rankin, Jr. pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act
31(i)(2)	Certification of Kenneth C. Schilling pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act
32	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Alfred M. Rankin, Jr. and Kenneth C. Schilling
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Numbered in accordance with Item 601 of Regulation S-K.