

MANITOWOC CO INC  
Form 10-Q  
August 07, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended June 30, 2018

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

1-11978

The Manitowoc Company, Inc.

(Exact name of registrant as specified in its charter)

Wisconsin	39-0448110
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

11270 West Park Place

Suite 1000, Milwaukee, Wisconsin	53224
(Address of principal executive offices)	(Zip Code)

(414) 760-4600

(Registrant's telephone number, including area code)

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the Registrant’s common stock, \$.01 par value, as of June 30, 2018, the most recent practicable date, was 35,536,412.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## THE MANITOWOC COMPANY, INC.

## Condensed Consolidated Statements of Operations

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

(\$ in millions, except per-share and average shares data)

	Three Months Ended		Six Months Ended	
	June 30, 2018	2017	June 30, 2018	2017
Net sales	\$495.3	\$394.6	\$881.4	\$700.4
Cost of sales	404.8	318.3	722.5	572.2
Gross profit	90.5	76.3	158.9	128.2
Operating costs and expenses:				
Engineering, selling and administrative expenses	62.1	58.4	122.5	119.8
Asset impairment expense	0.4	—	0.4	—
Amortization of intangible assets	0.1	0.3	0.2	0.7
Restructuring expense	3.8	5.9	10.0	17.6
Other operating income - net	—	(0.2)	—	—
Total operating costs and expenses	66.4	64.4	133.1	138.1
Operating income (loss)	24.1	11.9	25.8	(9.9)
Other income (expense):				
Interest expense	(9.4)	(9.7)	(19.4)	(19.8)
Amortization of deferred financing fees	(0.4)	(0.4)	(0.9)	(0.9)
Other income (expense) - net	(5.6)	1.2	(2.9)	(0.9)
Total other expense	(15.4)	(8.9)	(23.2)	(21.6)
Income (loss) from continuing operations before taxes	8.7	3.0	2.6	(31.5)
Provision (benefit) for taxes on income	(1.2)	2.3	2.7	3.8
Income (loss) from continuing operations	9.9	0.7	(0.1)	(35.3)
Discontinued operations:				
Loss from discontinued operations, net of income taxes of \$0.0,				
\$0.0, \$0.0 and \$0.0, respectively	(0.2)	(0.2)	(0.2)	(0.2)
Net income (loss)	\$9.7	\$0.5	\$(0.3)	\$(35.5)

## Per Share Data

## Basic income (loss) per common share:

Income (loss) from continuing operations	\$0.28	\$0.02	\$—	\$(1.01)
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Loss from discontinued operations, net of income taxes	(0.01)	)	(0.01)	)	(0.01)	)	—
Basic income (loss) per common share	\$0.27		\$0.01		\$(0.01)		\$(1.01)
Diluted income (loss) per common share:							
Income (loss) from continuing operations	\$0.27		\$0.02		\$—		\$(1.01)
Loss from discontinued operations, net of income taxes	—		(0.01)	)	(0.01)	)	—
Diluted income (loss) per common share	\$0.27		\$0.01		\$(0.01)		\$(1.01)
Weighted average shares outstanding - basic	35,530,356		35,109,426		35,449,298		35,065,173
Weighted average shares outstanding - diluted	36,064,108		35,654,672		35,449,298		35,065,173

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

THE MANITOWOC COMPANY, INC.

Condensed Consolidated Statements of Comprehensive Income (Loss)

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

(\$ in millions)

	Three Months Ended		Six Months Ended	
	June 30, 2018	2017	June 30, 2018	2017
Net income (loss)	\$9.7	\$0.5	\$(0.3 )	\$(35.5 )
Other comprehensive income (loss), net of tax				
Unrealized income (expense) on derivatives, net of income				
tax provision of \$0.0, \$0.0, \$0.0 and \$0.0, respectively	(3.3 )	0.1	(3.4 )	0.6
Employee pension and postretirement benefits, net of				
income tax provision of \$(0.1), \$0.4, \$0.0 and \$0.8,				
respectively	0.7	0.5	1.3	1.1
Foreign currency translation adjustments	(26.8)	23.1	(15.2)	33.2
Total other comprehensive income (loss), net of tax	(29.4)	23.7	(17.3)	34.9
Comprehensive income (loss)	\$(19.7)	\$24.2	\$(17.6)	\$(0.6 )

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

## THE MANITOWOC COMPANY, INC.

## Condensed Consolidated Balance Sheets

As of June 30, 2018 and December 31, 2017

(Unaudited)

(\$ in millions, except share data)

	June 30, 2018	December 31, 2017
<b>Assets</b>		
<b>Current Assets:</b>		
Cash, cash equivalents and restricted cash	\$83.7	\$ 123.0
Accounts receivable, less allowances of \$11.1 and \$10.9, respectively	210.2	179.2
Inventories — net	469.6	400.6
Notes receivable — net	24.9	31.1
Other current assets	57.8	56.5
Total current assets	846.2	790.4
Property, plant and equipment — net	292.2	303.7
Goodwill	317.8	321.3
Other intangible assets — net	119.7	122.1
Other long-term assets	62.4	70.3
Total assets	\$1,638.3	\$ 1,607.8
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$433.0	\$ 375.8
Short-term borrowings and current portion of long-term debt	7.0	8.2
Product warranties	37.1	35.5
Customer advances	15.3	12.7
Product liabilities	21.2	20.8
Total current liabilities	513.6	453.0
<b>Non-Current Liabilities:</b>		
Long-term debt	265.4	266.7
Deferred income taxes	10.2	13.0
Pension obligations	84.2	88.9
Postretirement health and other benefit obligations	24.8	25.5
Long-term deferred revenue	20.6	20.8
Other non-current liabilities	53.5	62.4
Total non-current liabilities	458.7	477.3
Commitments and contingencies (Note 15)		
<b>Stockholders' Equity:</b>		
Preferred stock (authorized 3,500,000 shares of \$.01 par value;	—	—

none outstanding)		
Common stock (75,000,000 shares authorized, 40,793,983 shares issued, 35,536,412 and 35,273,864 shares outstanding, respectively)	1.4	1.4
Additional paid-in capital	580.3	576.6
Accumulated other comprehensive loss	(114.7 )	(97.4 )
Retained earnings	256.4	256.7
Treasury stock, at cost (5,257,571 and 5,520,119 shares, respectively)	(57.4 )	(59.8 )
Total stockholders' equity	666.0	677.5
Total liabilities and stockholders' equity	\$ 1,638.3	\$ 1,607.8

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

## THE MANITOWOC COMPANY, INC.

## Condensed Consolidated Statements of Cash Flows

For the six months ended June 30, 2018 and 2017

(Unaudited)

(\$ in millions)

	Six Months Ended	
	June 30, 2018	2017
Cash Flows from Operations:		
Net loss	\$(0.3 )	\$(35.5 )
Adjustments to reconcile net loss to cash used for operating activities of		
continuing operations:		
Asset impairment expense	0.4	—
Discontinued operations, net of income taxes	0.2	0.2
Depreciation	18.2	19.9
Amortization of intangible assets	0.2	0.7
Amortization of deferred financing fees	0.9	0.9
Gain on sale of property, plant and equipment	(2.2 )	(1.0 )
Other	0.7	4.4
Changes in operating assets and liabilities, excluding effects of business		
divestitures:		
Accounts receivable	(286.6)	(186.5)
Inventories	(79.5 )	(37.3 )
Notes receivable	8.3	9.5
Other assets	0.3	(1.7 )
Accounts payable	69.2	46.8
Accrued expenses and other liabilities	(10.6 )	(11.1 )
Net cash used for operating activities of continuing operations	(280.8)	(190.7)
Net cash used for operating activities of discontinued operations	(0.2 )	(0.2 )
Net cash used for operating activities	(281.0)	(190.9)
Cash Flows from Investing:		
Capital expenditures	(15.2 )	(11.9 )
Proceeds from sale of fixed assets	8.4	5.3
Cash receipts on sold accounts receivable	250.7	146.3
Other	—	0.2
Net cash provided by investing activities of continuing operations	243.9	139.9
Net cash used for investing activities of discontinued operations	—	—



Net cash provided by investing activities	243.9	139.9
Cash Flows from Financing:		
Proceeds from revolving credit facility	—	10.3
Payments on long-term debt	(3.0 )	(4.8 )
Payments on notes financing - net	—	(2.9 )
Exercises of stock options	2.0	2.9
Net cash provided by (used for) financing activities of continuing operations	(1.0 )	5.5
Net cash used for financing activities of discontinued operations	—	—
Net cash provided by (used for) financing activities	(1.0 )	5.5
Effect of exchange rate changes on cash	(1.2 )	0.8
Net decrease in cash, cash equivalents, and restricted cash	(39.3 )	(44.7 )
Cash, cash equivalents and restricted cash at beginning of period, including cash of discontinued operations of \$0.0 and \$0.0	123.0	73.9
Cash, cash equivalents and restricted cash at end of period	\$83.7	\$29.2

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

THE MANITOWOC COMPANY, INC.

Notes to Unaudited Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

1. Accounting Policies and Basis of Presentation

The Manitowoc Company, Inc. (“Manitowoc,” “MTW” or the “Company”) is a leading provider of engineered lifting equipment for the global construction industry, including lattice-boom cranes, tower cranes, mobile telescopic cranes and boom trucks. The Company has three reportable segments, the Americas segment, Europe and Africa (“EURAF”) segment and Middle East and Asia Pacific (“MEAP”) segment. The segments were identified using the “management approach,” which designates the internal organization that is used by management for making operating decisions and assessing performance. Refer to Note 13, “Segments” for additional information.

In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments necessary for a fair statement of the results of operations and comprehensive income for the three and six months ended June 30, 2018 and 2017, the cash flows for the same six-month periods and the financial position at June 30, 2018 and December 31, 2017, and except as otherwise discussed, such adjustments consist of only those of a normal recurring nature. The interim results are not necessarily indicative of results for a full year and do not contain information included in the Company’s annual consolidated financial statements and notes for the year ended December 31, 2017. Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to Securities and Exchange Commission rules and regulations dealing with interim financial statements. However, the Company believes that the disclosures made in the Condensed Consolidated Financial Statements included herein are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the Company’s latest annual report on Form 10-K.

Effective after the market closed on November 17, 2017, the Company completed a 1-for-4 reverse stock split. The share amounts in this Quarterly Report on Form 10-Q have been adjusted to reflect that reverse stock split.

Cash, cash equivalents and restricted cash on the Condensed Consolidated Balance Sheets includes \$0.2 million and \$3.8 million of restricted cash as of June 30, 2018 and December 31, 2017, respectively.

Certain prior period amounts have been reclassified to conform to the current period presentation. All dollar amounts, except share and per share amounts, are in millions of dollars throughout the tables included in these notes, unless otherwise indicated.

During the first quarter of 2018, the Company identified an adjustment to the Consolidated Balance Sheet as of December 31, 2017. The adjustment related to other current assets and property, plant and equipment – net, whereby the Company had overstated other current assets and understated property, plant and equipment – net by approximately \$8.8 million. In evaluating whether the Company’s previously issued consolidated financial statements were materially misstated, the Company considered the guidance in Accounting Standard Codification (“ASC”) Topic 250, “Accounting Changes and Error Corrections” and ASC Topic 250-10-S99-1, “Assessing Materiality.” The Company determined that this error was not material to the Company’s prior period consolidated financial statements and therefore, amending the previously filed report was not required.

2. Revenues

Adoption of ASC Topic 606, “Revenue from Contracts with Customers”

On January 1, 2018, the Company adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company’s historic accounting under Topic 605.

The majority of the Company’s sales revenue continues to be recognized when products are shipped from the Company’s manufacturing facilities. Additional information related to the Company’s “Performance Obligations” are listed below.

As a result of the adoption of Topic 606, no cumulative catch up adjustment to retained earnings was recorded as of January 1, 2018.

## Significant Accounting Policy

Revenue is recognized when obligations under the terms of a contract with the Company's customer are satisfied; generally this occurs with the transfer of control of the Company's cranes, or parts, or completion of performance of services. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. The Company recognizes revenue for extended warranties beyond the base warranties over the life of the contract.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, and are collected by the Company from a customer, are excluded from revenue.

Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are categorized as a fulfillment cost and are included in cost of sales on the Condensed Consolidated Statement of Operations.

## Performance Obligations

The following is a description of principle activities from which the Company generates revenue. Disaggregation of the Company's revenue sources are disclosed in Note 13, "Segments."

### Crane Revenue

Crane revenue is primarily generated through the sale of new and used cranes. Contracts with customers are generally in the form of a purchase order. Based on the nature of the Company's contracts, the Company does not have any significant financing terms. Contracts may have variable consideration in the form of early pay discounts or rebates. Revenue is earned under these contracts when control of the product is transferred to the customer. Control transfers to the customer generally upon delivery to the carrier or acceptance through an independent inspection company that acts as an agent of the customer.

From time to time, the Company enters into agreements where the customer has the right to exercise an option for the repurchase of a crane by the Company at an agreed upon price. The Company evaluates each agreement at the inception of the order to determine if the customer has a significant economic incentive to exercise that right. If it is determined that the customer has a significant economic incentive to exercise that right, the agreement is accounted

for as a lease in accordance with Topic 840. If it is determined that the customer does not have a significant economic incentive to exercise that right, then revenue is recognized when control of the asset is transferred to the customer.

Given the nature of the Company's products, from time to time, the customer may request that the product be held until a delivery location is identified. Under these "bill and hold" arrangements, revenue is recognized when all of the following criteria are met: 1) the reason for the bill-and-hold arrangement is substantive, 2) the product is separately identified as belonging to the customer, 3) the product is ready for transfer to the customer, and 4) the Company does not have the ability to use the product or direct it to another customer.

#### Aftermarket Part Sales

Aftermarket part sales are generated through the sale of new and used parts to end customers and distributors. Aftermarket parts revenue is recognized when control of the product is transferred to the customer. Control transfers to the customer generally upon delivery to the carrier. Customers generally have a right of return which the Company estimates using historical information. The amount of estimated returns is deducted from revenue.

#### Other Revenues

The Company's other revenues consist primarily of revenues from:

- Repair and field service work; and
- Training and technical publications.

As it relates to the Company's other revenues, the Company's performance obligations generally relate to performing specific agreed upon services. Revenue is earned upon the completion of those services.

## Customer Advances

The Company records deferred revenue when cash payments are received or due in advance of performance, including amounts which are refundable. The table below shows the change in the customer advances balance for the six months ended June 30, 2018 (\$ in millions).

Customer Advances	Cash		Customer Advances
Balance as of	Received in Advance of Satisfying	Revenue	Balance as of
January 1, 2018	Performance Obligation	Recognized	June 30, 2018
Total \$ 12.7	\$ 56.8	\$ 54.2	\$ 15.3

## Practical Expedients and Exemptions

The Company expenses sale commissions when incurred because the amortization period would be one year or less. These costs are recorded within engineering, selling and administrative expenses in the Condensed Consolidated Statement of Operations.

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which it recognizes revenue at the amount to which it has the right to invoice for services performed.

## 3. Inventories

The components of inventories as of June 30, 2018 and December 31, 2017 are summarized as follows:

	June 30,	December 31,
(\$ in millions)	2018	2017
Raw materials	\$ 152.1	\$ 122.0
Work-in-process	135.2	98.8
Finished goods	234.4	227.7
Total inventories	521.7	448.5
Excess and obsolete inventory reserve	(52.1 )	(47.9 )

Inventories — net	\$ 469.6	\$ 400.6
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#### 4. Notes Receivable

Notes receivable balances as of June 30, 2018 and December 31, 2017, consisted primarily of amounts due to the Company's captive finance company in China and the remaining balance on the note from the 2014 sale of Manitowoc Dong Yue Heavy Machinery Co. Ltd. ("Manitowoc Dong Yue"). During 2017, the Company renegotiated the terms of the note with Manitowoc Dong Yue to provide extended payment terms. As a result of the renegotiation, the entire balance of the Manitowoc Dong Yue note is included in long-term notes receivable in the Condensed Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017. As of June 30, 2018, the Company had current and long-term notes receivable in the amount of \$24.9 million and \$24.1 million, respectively. As of December 31, 2017, the Company had current and long-term notes receivable in the amount of \$31.1 million and \$27.4 million, respectively. Long-term notes receivable are included within other long-term assets on the Condensed Consolidated Balance Sheet.

## 5. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the year ended December 31, 2017 and the six months ended June 30, 2018 are as follows:

(\$ in millions)	Cranes	Americas	EURAF	MEAP
Balance as of January 1, 2017	\$299.6	\$ —	\$ —	\$ —
Foreign currency impact	16.5	—	—	—
Reallocation of goodwill at October 31, 2017	(316.1)	166.5	81.5	68.1
Foreign currency impact	—	—	4.4	0.8
Balance as of December 31, 2017	—	166.5	85.9	68.9
Foreign currency impact	—	—	(2.2 )	(1.3 )
Balance as of June 30, 2018	\$ —	\$ 166.5	\$ 83.7	\$ 67.6

The Company accounts for goodwill and other intangible assets under the guidance of ASC Topic 350, “Intangibles — Goodwill and Other.”

The Company performs an annual impairment review during the fourth quarter of every year, or more frequently if events or changes in circumstances indicate that the asset might be impaired. There have been no impairment indicators since the fourth quarter of 2017; therefore, no impairment review has occurred. The Company performs the impairment review for goodwill and indefinite-lived intangible assets using a fair-value method based on the present value of future cash flows, which involves management’s judgments and assumptions about the amounts of those cash flows and the discount rates used. The estimated fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill, or indefinite-lived intangible asset. The intangible asset is then subject to risk of write-down to the extent that the carrying amount exceeds the estimated fair value.

A considerable amount of management judgment and assumptions are required in performing the impairment test, principally in determining the fair value of the reporting unit. While the Company believes the judgments and assumptions are reasonable, different assumptions could change the estimated fair value and, therefore, impairment charges could be required. Weakening industry or economic trends, disruptions to the Company's business, unexpected significant changes or planned changes in the use of the assets or in entity structure may adversely impact the assumptions used in the valuations. The Company continually monitors market conditions and determines if any additional interim reviews of goodwill, other intangibles or long-lived assets are warranted. In the event the Company determines that assets are impaired in the future, the Company would recognize a non-cash impairment charge, which could have a material adverse effect on the Company’s Condensed Consolidated Balance Sheets and Results of Operations.

Other intangible assets with definite lives continue to be amortized over their estimated useful lives. Definite lived intangible assets are also subject to impairment testing whenever events or circumstances indicate that the carrying value of the assets may not be recoverable.

The gross carrying amount, accumulated amortization and net book value of the Company’s intangible assets other than goodwill at June 30, 2018 and December 31, 2017 are as follows:



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	June 30, 2018			December 31, 2017		
	Gross		Net	Gross		Net
	Carrying	Accumulated	Book	Carrying	Accumulated	Book
(\$ in millions)	Amount	Amortization	Value	Amount	Amortization	Value
Trademarks and tradenames	\$97.7	\$ —	\$97.7	\$99.7	\$ —	\$99.7
Customer relationships	10.2	(8.4 )	1.8	10.7	(8.7 )	2.0
Patents	30.2	(29.2 )	1.0	30.6	(29.7 )	0.9
Engineering drawings	10.7	(10.6 )	0.1	10.8	(10.7 )	0.1
Distribution network	19.2	(0.1 )	19.1	19.5	(0.1 )	19.4
Other intangibles	0.1	(0.1 )	—	0.1	(0.1 )	—
Total	\$168.1	\$ (48.4 )	\$119.7	\$171.4	\$ (49.3 )	\$122.1

Amortization expense for the three months ended June 30, 2018 and 2017 was \$0.1 million and \$0.3 million, respectively. Amortization expense for the six months ended June 30, 2018 and 2017 was \$0.2 million and \$0.7 million, respectively.

The Company also reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. The Company conducts its long-lived asset impairment analyses in accordance with ASC Topic 360-10-5, "Property, Plant and Equipment." ASC Topic 360-10-5 requires the Company to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and to evaluate the asset group against the sum of the undiscounted future cash flows. Property, plant and equipment are depreciated over the estimated useful lives of the assets using the straight-line depreciation method for financial reporting and on accelerated methods for income tax purposes.

## 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2018 and December 31, 2017 are summarized as follows:

(\$ in millions)	June 30, 2018	December 31, 2017
Trade accounts payable	\$ 264.6	\$ 204.9
Employee-related expenses	48.1	59.7
Accrued vacation	25.0	23.8
Miscellaneous accrued expenses	95.3	87.4
Total	\$ 433.0	\$ 375.8

## 7. Debt

Outstanding debt at June 30, 2018 and December 31, 2017 is summarized as follows:

(\$ in millions)	June 30, 2018	December 31, 2017
Revolving credit facility	\$ —	\$ —
Senior secured second lien notes due 2021	253.1	251.9
Other	22.0	26.1
Deferred financing costs	(2.7 )	(3.1 )
Total debt	272.4	274.9
Short-term borrowings and current portion of long-term		
debt	(7.0 )	(8.2 )
Long-term debt	\$ 265.4	\$ 266.7

The balance sheet values of the 12.750% Senior Secured Second Lien Notes due 2021 (the "2021 Notes") as of June 30, 2018 and December 31, 2017 are not equal to the face value of the 2021 Notes (\$260.0 million) because of original issue discounts included in the applicable balance sheet values.

As of June 30, 2018, the Company had outstanding \$22.0 million of other indebtedness that has a weighted-average interest rate of approximately 5.32%. This debt includes balances on local credit lines and capital lease obligations.

On March 3, 2016, the Company entered into a \$225.0 million Asset Based Revolving Credit Facility (as amended, the “ABL Revolving Credit Facility”) with Wells Fargo Bank, N.A. as administrative agent, and JP Morgan Chase Bank, N.A. and Goldman Sachs Bank USA as joint lead arrangers. The ABL Revolving Credit Facility capacity calculation is defined in the related credit agreement and is dependent on the fair value of inventory and fixed assets of the loan parties, which secure the borrowings. The ABL Revolving Credit Facility has a term of 5 years and includes a \$75.0 million letter of credit sublimit, \$10.0 million of which can be applied to the German borrower.

In April 2017, the ABL Revolving Credit Facility was amended to modify several definitions regarding eligible equipment and inventory as it relates to a key financing partner of the Company. The amendment has had, and is expected to continue to have, a minimal impact on the Company’s daily operations and borrowing limits.

In December 2017, the Company notified the administrative agent of its intent to sell its corporate headquarters in Manitowoc, Wisconsin, and the ABL Revolving Credit Facility was amended to permit that transaction and related restructuring activities. The sale was finalized in the first quarter of 2018 and is reflected in the borrowing base of the ABL Revolving Credit Facility as of June 30, 2018.

The Company had no borrowings on the ABL Revolving Credit Facility as of June 30, 2018 and December 31, 2017. During the quarter ended June 30, 2018, the highest daily borrowing was \$47.0 million and the average borrowing was \$12.0 million, while the average annual interest rate was 4.03%. The interest rate of the ABL Revolving Credit Facility fluctuates based on excess availability. As of June 30, 2018, the spreads for London Interbank Offered Rate and prime rate borrowings were 1.50% and 0.50%, respectively, with excess availability of approximately \$114.6 million, which represents revolver borrowing capacity of \$128.9 million less U.S. letters of credit outstanding of \$14.4 million.

On February 18, 2016, the Company entered into an indenture with Wells Fargo Bank, N.A., as trust and collateral agent, and sold \$260.0 million aggregate principal amount of its 2021 Notes. Interest on the 2021 Notes is payable semi-annually in February and August of each year. The 2021 Notes were sold pursuant to exemptions from registration under the Securities Act of 1933.

Both the ABL Revolving Credit Facility and 2021 Notes include customary covenants and events of default which include, without limitation, restrictions on indebtedness, capital expenditures, restricted payments, disposals, investments and acquisitions.

Additionally, the ABL Revolving Credit Facility contains a fixed charge coverage springing financial covenant, which measures the ratio of (i) consolidated earnings before interest, taxes, depreciation, amortization and other adjustments as defined in the related credit agreement, to (ii) fixed charges, as defined in the credit agreement. The financial covenant is triggered only if the Company fails to maintain minimum levels of availability under the facility. If triggered, the Company must maintain a minimum fixed charge coverage ratio of 1.00 to 1.

As of June 30, 2018, the Company was in compliance with all affirmative and negative covenants in its debt instruments, inclusive of the financial covenants pertaining to the ABL Revolving Credit Facility and 2021 Notes.

#### 8. Accounts Receivable Securitization

The Company maintains a U.S. accounts receivable securitization program with a commitment size of \$75.0 million, whereby transactions under the program are accounted for as sales in accordance with ASC Topic 860, "Transfers and Servicing."

On March 3, 2016, the Company replaced the Fifth Amended and Restated Receivables Purchase Agreement dated December 15, 2014 and entered into a Receivables Purchase Agreement ("RPA") among Manitowoc Funding, LLC ("MTW Funding"), as Seller, The Manitowoc Company, Inc., as Servicer, and Wells Fargo Bank, N.A., as Purchaser and as Agent.

Under the RPA (and the related Purchase and Sale Agreements referenced in the RPA), the Company's domestic trade accounts receivable are sold to MTW Funding which, in turn, sells, conveys, transfers and assigns to a third-party financial institution ("Purchaser"), all of MTW Funding's rights, title and interest in a pool of receivables to the Purchaser.

The Purchaser receives ownership of the pool of receivables in each instance. New receivables are purchased by MTW Funding and sold to the Purchaser as cash collections reduce previously sold investments discharged through normal cash collection processes. The Company acts as the servicer (in such capacity, the "Servicer") of the receivables and, as such, administers, collects and otherwise enforces the receivables. The Servicer is compensated for doing so on terms that are generally consistent with what would be charged by an unrelated servicer. The Servicer initially receives payments made by obligors on the receivables but is required to remit those payments to the Purchaser in accordance with the RPA. The Purchaser has no recourse for uncollectible receivables.

Trade accounts receivable sold to the Purchaser and being serviced by the Company totaled \$223.4 million and \$384.3 million for the three and six months ended June 30, 2018, respectively. Trade receivables sold to the Purchaser and being serviced by the Company totaled \$160.2 million and \$336.2 million for the three and six months ended June 30, 2017, respectively. Cash proceeds received from customers related to the receivables previously sold for the three and six months ended June 30, 2018 were \$185.9 million and \$354.8 million, respectively. Cash proceeds received from customers related to the receivables previously sold for the three and six months ended June 30, 2017 were \$133.3 million and \$249.9 million, respectively.

Sales of trade receivables under the program reflected as a reduction of accounts receivable in the accompanying Condensed Consolidated Balance Sheets were \$48.2 million and \$31.8 million as of June 30, 2018 and December 31, 2017, respectively. The proceeds received from the sale of trade receivables under the program are included in cash flows from operating activities; whereas cash collections related to the deferred purchase price are classified as cash flows from investing activities in the accompanying Condensed Consolidated Statements of Cash Flows. The Company deems the interest rate risk related to the deferred purchase price notes to be de minimis, primarily because the average collection cycle of the related receivables is less than 60 days; and as such, the fair value of the Company's deferred purchase price notes approximates book value. The fair

value of the deferred purchase price notes recorded as of June 30, 2018 and December 31, 2017 was \$71.7 million and \$60.6 million, respectively, and is included in accounts receivable in the accompanying Condensed Consolidated Balance Sheets. For the six months ended June 30, 2018 and 2017 non-cash investing activities related to the increase in the deferred purchase price was \$260.1 million and \$203.9 million, respectively.

The securitization program contains customary affirmative and negative covenants. Among other restrictions, these covenants require the Company to meet specified financial tests, which include a minimum fixed charge coverage ratio which is the same as the covenant ratio required per the ABL Revolving Credit Facility. As of June 30, 2018, the Company was in compliance with all affirmative and negative covenants pertaining to the RPA, as amended.

## 9. Income Taxes

For the three months ended June 30, 2018 and 2017, the Company recorded income tax benefit of \$1.2 million and expense of \$2.3 million, respectively. For the six months ended June 30, 2018 and 2017, the Company recorded income tax expense of \$2.7 million and \$3.8 million, respectively. During the three months ended June 30, 2018, a discrete tax benefit of \$4.8 million was recorded, with the primary driver being a closing of the statute of limitations for the U.S. Federal 2012 and 2013 tax years. The decrease in the Company's tax expense for the six months ended June 30, 2018 relative to the prior year primarily relates to the discrete tax benefit recorded, offset by additional tax expense in foreign jurisdictions. In addition to the above, the Company's effective tax rate varies from the U.S. federal statutory rate of 21% due to results of foreign operations that are subject to income taxes at different statutory rates.

The Company continues to evaluate the impact of the Tax Cuts and Jobs Act (the "Tax Act") enacted in December 2017. The Act reduced the U.S. federal corporate tax rate from 35 percent to 21 percent, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and added other provisions including creating new taxes on certain foreign sourced earnings. The Company continues to evaluate the impact of these new provisions under The Act including Transition Tax, Global Intangible Low Taxed Income (GILTI), Foreign Derived Intangible Income (FDII), Base Erosion and Anti-Abuse Tax (BEAT), and Internal Revenue Code Section 163(j) interest limitation (Interest Limitation) which are complex and subject to continuing regulatory interpretation by the Internal Revenue Service. The Company was able to make a reasonable estimate of the applicable provisions of the Tax Act; however, because the Company remains in a domestic net operating loss carryforward position and has a valuation allowance on its deferred tax assets, the Company does not expect an impact to the Condensed Consolidated Statement of Operations. As of June 30, 2018, the Company has not changed the provisional estimates recognized in 2017. Adjustments related to the amount of these provisions recorded in its consolidated financial statements may be required based on the outcome of these elections and further interpretation by the Internal Revenue Service.

The Company will also continue to evaluate its valuation allowance requirements on an ongoing basis in light of changing facts and circumstances and may adjust its deferred tax asset valuation allowances accordingly, and it is a reasonable possibility that the Company will either add to or reverse a portion of its existing deferred tax asset valuation allowances in the future. Such changes in the deferred tax asset valuation allowances will be reflected in the current operations through the Company's income tax provision and could have a material effect on operating results.

The Company's unrecognized tax benefits, excluding interest and penalties, were \$15.8 million as of June 30, 2018 and \$19.5 million as of December 31, 2017.

The Company regularly assesses the likelihood of an adverse outcome resulting from examinations to determine the adequacy of its tax reserves. As of June 30, 2018, the Company believes that it is more likely than not that the tax positions it has taken will be sustained upon the resolution of its audits, resulting in no material impact on its consolidated financial position and the results of operations and cash flows. However, the final determination with

respect to any tax audits and any related litigation could be materially different from the Company's estimates and/or from its historical income tax provisions and accruals and could have a material effect on operating results and/or cash flows in the periods for which that determination is made. In addition, future period earnings may be adversely impacted by litigation costs, settlements, penalties and/or interest assessments.

## 10. Earnings Per Share

Basic earnings (loss) per share is computed as net earnings (loss) divided by the basic weighted average common shares outstanding of 35.5 million and 35.4 million shares for the three and six months ended June 30, 2018, respectively, and 35.1 million shares for the three and six months ended June 30, 2017. The calculation of diluted earnings (loss) per share includes the effect of any dilutive equity incentive instruments. The Company uses the treasury stock method to calculate the effect of outstanding dilutive equity incentive instruments, which requires the Company to compute total proceeds as the sum of the amount the employee must pay upon exercise of the award and the amount of unearned stock-based compensation costs attributable to future services.

Equity incentive instruments for which the total employee proceeds from exercise exceed the average fair value of the same equity incentive instrument over the period have an anti-dilutive effect on earnings per share during periods with net earnings, and accordingly, the Company excludes them from the calculation. Anti-dilutive equity instruments of approximately 188,885 and 367,440 common shares were excluded from the computation of diluted net earnings per share for the three months ended June 30, 2018 and 2017. Due to the net loss incurred during the six months ended June 30, 2018 and 2017, the assumed exercise of all equity incentive instruments was anti-dilutive and, therefore, not included in the diluted loss per share calculation for those periods.

The following is a reconciliation of the average shares outstanding used to compute basic and diluted earnings per share:

	Three Months Ended		Six Months Ended	
	June 30, 2018	2017	June 30, 2018	2017
Basic weighted average common shares outstanding	35,530,356	35,109,426	35,449,298	35,065,173
Effect of dilutive securities	533,752	545,246	—	—
Diluted weighted average common shares outstanding	36,064,108	35,654,672	35,449,298	35,065,173

No cash dividends were paid during any of the three and six months ended June 30, 2018 and 2017.

## 11. Stockholders' Equity

The following is a roll forward of retained earnings for the six months ended June 30, 2018:

(\$ in millions)	Retained Earnings
Balance at December 31, 2017	\$ 256.7
Net loss	(0.3 )
Balance at June 30, 2018	\$ 256.4



Authorized capital consists of 75 million shares of \$0.01 par value common stock and 3.5 million shares of \$0.01 par value preferred stock. None of the preferred shares have been issued.

Currently, the Company has authorization to purchase up to 0.6 million shares of common stock at management's discretion; however, the Company has certain restrictions from repurchasing shares of its capital stock or other equity interests under various covenants of its debt agreements. Further, the Company has not purchased any shares of its common stock under this authorization since 2006.

A reconciliation for the changes in accumulated other comprehensive loss, net of tax, by component for the six months ended June 30, 2018 and 2017 is as follows:

	Gains and Losses on	Pension &	Foreign Currency	
(\$ in millions)	Cash Flow Hedges	Postretirement	Translation	Total
Balance at December 31, 2017	\$ 0.1	\$ (45.1 )	\$ (52.4 )	\$(97.4 )
Other comprehensive income before				
reclassifications	—	0.1	11.4	11.5
Amounts reclassified from accumulated other				
comprehensive loss	—	0.6	—	0.6
Net other comprehensive income	—	0.7	11.4	12.1
Balance at March 31, 2018	0.1	(44.4 )	(41.0 )	(85.3 )
Other comprehensive loss before				
reclassifications	(3.6 )	(0.1 )	(26.8 )	(30.5 )
Amounts reclassified from accumulated other				
comprehensive loss	0.3	0.8	—	1.1
Net other comprehensive income (loss)	(3.3 )	0.7	(26.8 )	(29.4 )
Balance at June 30, 2018	(3.2 )	(43.7 )	(67.8 )	(114.7 )

(\$ in millions)