

**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 September 30, 2020

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: 001-32401

**MANITEX INTERNATIONAL, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Michigan**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**9725 Industrial Drive, Bridgeview, Illinois**  
(Address of Principal Executive Offices)

**42-1628978**  
(I.R.S. Employer  
Identification Number)

**60455**  
(Zip Code)

**(708) 430-7500**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	MNTX	The NASDAQ Stock Market LLC
Preferred Share Purchase Rights	N/A	The NASDAQ Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 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

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 of the registrant's common stock, no par, outstanding at November 2, 2020 was 19,791,614.

## MANITEX INTERNATIONAL, INC. AND SUBSIDIARIES

### GENERAL

This Quarterly Report on Form 10-Q filed by Manitex International, Inc. speaks as of September 30, 2020 unless specifically noted otherwise. Unless otherwise indicated, Manitex International, Inc., together with its consolidated subsidiaries, is hereinafter referred to as “Manitex,” the “Registrant,” “us,” “we,” “our” or the “Company.”

### Forward-Looking Information

Certain information in this Quarterly Report includes forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995). These statements relate to, among other things, the Company’s expectations, beliefs, intentions, future strategies, future events or future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. In addition, when included in this Quarterly Report or in documents incorporated herein by reference the words “may,” “expects,” “should,” “intends,” “anticipates,” “believes,” “plans,” “projects,” “estimates” and the negatives thereof and analogous or similar expressions are intended to identify forward-looking statements. However, the absence of these words does not mean that the statement is not forward-looking. We have based these forward-looking statements on current expectations and projections about future events. These statements are not guarantees of future performance. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements. Such risks and uncertainties, many of which are beyond our control, include, without limitation, those described below and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, in the section entitled “Item 1A. Risk Factors”:

- a substantial deterioration in economic conditions, especially in the United States and/or Europe;
- the continuing impact of COVID-19 and related economic conditions, including the Company’s assessment of the vulnerability of our customers and vendors in relation to the economic disruptions associated with COVID-19;
- government spending, fluctuations in the construction industry, and capital expenditures in the oil and gas industry;
- our level of indebtedness and our ability to meet financial covenants required by our debt agreements;
- our ability to negotiate extensions of our credit agreements and to obtain additional debt or equity financing when needed;
- the impact that the restatement of our previously issued financial statements could have on our business reputation and relations with our customers and suppliers;
- the cyclical nature of the markets we operate in;
- an increase in interest rates;
- our increasingly international operations expose us to additional risks and challenges associated with conducting business internationally;
- difficulties in implementing new systems, integrating acquired businesses, managing anticipated growth, and responding to technological change;
- our customers’ diminished liquidity and credit availability;
- the performance of our competitors;
- shortages in supplies and raw materials or the increase in costs of materials;
- potential losses under residual value guarantees;
- product liability claims, intellectual property claims, and other liabilities;
- the volatility of our stock price;
- future sales of our common stock;

- the willingness of our shareholders and directors to approve mergers, acquisitions, and other business transactions;
- currency transaction (foreign exchange) risks and the risk related to forward currency contracts;
- compliance with changing laws and regulations;
- certain provisions of the Michigan Business Corporation Act and the Company's Articles of Incorporation, as amended, Amended and Restated Bylaws, and the Company's Preferred Stock Purchase Rights may discourage or prevent a change in control of the Company;
- a substantial portion of our revenues are attributed to limited number of customers which may decrease or cease purchasing any time;
- a disruption or breach in our information technology systems;
- our reliance on the management and leadership skills of our senior executives;
- the cost of compliance with Section 404 of the Sarbanes-Oxley Act of 2002;
- impairment in the carrying value of goodwill could negatively affect our operating results;
- potential negative effects related to the SEC investigation into our Company; and
- other factors.

The risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and in this Quarterly Report Form 10-Q are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. If any of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. We do not undertake, and expressly disclaim, any obligation to update this forward-looking information, except as required under applicable law.

MANITEX INTERNATIONAL, INC.  
FORM 10-Q INDEX

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**PART 1—FINANCIAL INFORMATION**

**Item 1—Financial Statements**

**MANITEX INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share data)  
(Unaudited)

	September 30, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 23,331	\$ 23,327
Cash – restricted	231	217
Trade receivables (net)	29,916	34,725
Other receivables	997	1,033
Inventory (net)	58,641	57,818
Prepaid expense and other current assets	4,392	4,706
Current assets of discontinued operations	180	1,591
<b>Total current assets</b>	<b>117,688</b>	<b>123,417</b>
Total fixed assets, net of accumulated depreciation of \$18,551 and \$16,818 at September 30, 2020 and December 31, 2019, respectively	18,531	19,035
Operating lease assets	2,160	2,174
Intangible assets (net)	15,752	17,032
Goodwill	26,699	32,635
Other long-term assets	168	281
Deferred tax asset	415	441
Long-term assets of discontinued operations	—	413
<b>Total assets</b>	<b>\$ 181,413</b>	<b>\$ 195,428</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Notes payable	\$ 17,832	\$ 18,212
Convertible note - related party (net)	7,455	7,323
Convertible note (net)	7,976	—
Current portion of finance lease obligations	352	476
Current portion of operating lease liabilities	761	813
Accounts payable	29,337	29,593
Accounts payable related parties	33	228
Accrued expenses	9,265	9,138
Customer deposits	1,669	1,493
Deferred income liability	3,747	—
Current liabilities of discontinued operations	215	800
<b>Total current liabilities</b>	<b>78,642</b>	<b>68,076</b>
<b>Long-term liabilities</b>		
Revolving term credit facilities	5,000	—
Notes payable (net)	15,368	19,446
Finance lease obligations (net of current portion)	4,311	4,584
Non-current operating lease liabilities	1,398	1,361
Convertible note (net)	—	14,760
Deferred gain on sale of property	607	667
Deferred tax liability	959	721
Other long-term liabilities	5,795	5,913
Long-term liabilities of discontinued operations	—	350
<b>Total long-term liabilities</b>	<b>33,438</b>	<b>47,802</b>
<b>Total liabilities</b>	<b>112,080</b>	<b>115,878</b>
<b>Commitments and contingencies</b>		
<b>Equity</b>		
Preferred Stock—Authorized 150,000 shares, no shares issued or outstanding at September 30, 2020 and December 31, 2019	—	—
Common Stock—no par value 25,000,000 shares authorized, 19,794,316 and 19,713,185 shares issued and outstanding at September 30, 2020, and December 31, 2019, respectively	131,276	130,710
Paid in capital	2,870	2,793
Retained deficit	(61,977)	(50,253)
Accumulated other comprehensive loss	(2,836)	(3,700)
<b>Total equity</b>	<b>69,333</b>	<b>79,550</b>
<b>Total liabilities and equity</b>	<b>\$ 181,413</b>	<b>\$ 195,428</b>

The accompanying notes are an integral part of these financial statements

**MANITEX INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except for share and per share amounts)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net revenues	\$ 36,466	\$ 50,599	\$ 122,314	\$ 162,403
Cost of sales	29,807	42,164	99,877	131,478
<b>Gross profit</b>	<b>6,659</b>	<b>8,435</b>	<b>22,437</b>	<b>30,925</b>
Operating expenses				
Research and development costs	788	497	2,246	1,890
Selling, general and administrative expenses	6,462	7,808	21,226	26,485
Impairment of intangibles	—	1,539	6,722	1,539
<b>Total operating expenses</b>	<b>7,250</b>	<b>9,844</b>	<b>30,194</b>	<b>29,914</b>
<b>Operating (loss) income</b>	<b>(591)</b>	<b>(1,409)</b>	<b>(7,757)</b>	<b>1,011</b>
Other (expense) income				
Interest expense	(825)	(1,121)	(2,833)	(3,298)
Interest income	6	41	80	161
Gain on extinguishment of debt	595	—	595	—
Change in fair value of securities held	—	216	—	5,454
Foreign currency transaction loss	(229)	(307)	(671)	(718)
Other expense	(341)	(11)	(497)	(22)
<b>Total other (expense) income</b>	<b>(794)</b>	<b>(1,182)</b>	<b>(3,326)</b>	<b>1,577</b>
<b>(Loss) income before income taxes from continuing operations</b>	<b>(1,385)</b>	<b>(2,591)</b>	<b>(11,083)</b>	<b>2,588</b>
Income tax expense (benefit) from continuing operations	62	1,874	(191)	2,449
<b>Net (loss) income from continuing operations</b>	<b>(1,447)</b>	<b>(4,465)</b>	<b>(10,892)</b>	<b>139</b>
Discontinued operations				
Loss from operations of discontinued operations	(120)	(7,302)	(831)	(7,805)
Income tax expense	4	84	1	39
Loss from discontinued operations	(124)	(7,386)	(832)	(7,844)
<b>Net loss</b>	<b>(1,571)</b>	<b>(11,851)</b>	<b>(11,724)</b>	<b>(7,705)</b>
<b>(Loss) earnings Per Share</b>				
Basic				
(Loss) earnings from continuing operations	\$ (0.07)	\$ (0.23)	\$ (0.55)	\$ 0.01
Loss from discontinued operations	\$ (0.01)	\$ (0.38)	\$ (0.04)	\$ (0.40)
Net loss	\$ (0.08)	\$ (0.60)	\$ (0.59)	\$ (0.39)
Diluted				
(Loss) earnings from continuing operations	\$ (0.07)	\$ (0.23)	\$ (0.55)	\$ 0.01
Loss from discontinued operations	\$ (0.01)	\$ (0.38)	\$ (0.04)	\$ (0.40)
Net loss	\$ (0.08)	\$ (0.60)	\$ (0.59)	\$ (0.39)
<b>Weighted average common shares outstanding</b>				
Basic	19,778,225	19,690,233	19,758,241	19,684,521
Diluted	19,778,225	19,690,233	19,758,241	19,715,072

The accompanying notes are an integral part of these financial statements

**MANITEX INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**  
(In thousands)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net loss:	\$ (1,571)	\$ (11,851)	\$ (11,724)	\$ (7,705)
Other comprehensive loss				
Foreign currency translation adjustments	1,053	(1,074)	864	(1,430)
Total other comprehensive income (loss)	1,053	(1,074)	864	(1,430)
Total comprehensive loss	<u>\$ (518)</u>	<u>\$ (12,925)</u>	<u>\$ (10,860)</u>	<u>\$ (9,135)</u>

**The accompanying notes are an integral part of these financial statements**

**MANITEX INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In thousands, except share amounts)  
(Unaudited)

	For the three and nine months ended	
	2020	2019
<b>Number of common shares outstanding</b>		
<b>Balance at December 31</b>	19,713,185	19,645,773
Employee 2004 and 2019 incentive plan grant	49,884	39,822
Repurchase to satisfy withholding and cancelled	(2,949)	(2,882)
<b>Balance at March 31</b>	<u>19,760,120</u>	<u>19,682,713</u>
Employee 2004 and 2019 incentive plan grant	7,360	7,160
<b>Balance at June 30</b>	<u>19,767,480</u>	<u>19,689,873</u>
Employee 2004 incentive plan grant	27,068	2,945
Repurchase to satisfy withholding and cancelled	(232)	(882)
<b>Balance at September 30</b>	<u>19,794,316</u>	<u>19,691,936</u>
<b>Common Stock</b>		
<b>Balance at December 31</b>	\$ 130,710	\$ 130,260
Employee 2004 and 2019 incentive plan grant	352	251
Repurchase to satisfy withholding and cancelled	(13)	(19)
<b>Balance at March 31</b>	<u>\$ 131,049</u>	<u>\$ 130,492</u>
Employee 2004 incentive plan grant	86	83
<b>Balance at June 30</b>	<u>\$ 131,135</u>	<u>\$ 130,575</u>
Employee 2004 incentive plan grant	142	22
Repurchase to satisfy withholding and cancelled	(1)	(5)
<b>Balance at September 30</b>	<u>\$ 131,276</u>	<u>\$ 130,592</u>
<b>Paid in Capital</b>		
<b>Balance at December 31</b>	\$ 2,793	\$ 2,674
Share-based compensation	222	159
Employee 2004 and 2019 incentive plan grant	(352)	(251)
<b>Balance at March 31</b>	<u>\$ 2,663</u>	<u>\$ 2,582</u>
Share-based compensation	203	141
Employee 2004 and 2019 incentive plan grant	(86)	(83)
<b>Balance at June 30</b>	<u>\$ 2,780</u>	<u>\$ 2,640</u>
Share-based compensation	233	148
Employee 2004 incentive plan grant	(143)	(22)
<b>Balance at September 30</b>	<u>\$ 2,870</u>	<u>\$ 2,766</u>
<b>Retained Deficit</b>		
<b>Deficit at December 31</b>	\$ (50,253)	\$ (41,761)
Net (loss) income	(7,476)	910
<b>Balance at March 31</b>	<u>\$ (57,729)</u>	<u>\$ (40,851)</u>
Net (loss) income	(2,677)	3,236
<b>Deficit at June 30</b>	<u>\$ (60,406)</u>	<u>\$ (37,615)</u>
Net loss	(1,571)	(11,851)
<b>Deficit at September 30</b>	<u>\$ (61,977)</u>	<u>\$ (49,466)</u>
<b>Accumulated Other Comprehensive Loss</b>		
<b>Deficit at December 31</b>	\$ (3,700)	\$ (3,169)
Loss on foreign currency translation	(508)	(620)
<b>Balance at March 31</b>	<u>\$ (4,208)</u>	<u>\$ (3,789)</u>
Gain on foreign currency translation	319	264
<b>Deficit at June 30</b>	<u>\$ (3,889)</u>	<u>\$ (3,525)</u>
Gain (loss) on foreign currency translation	1,053	(1,074)
<b>Deficit at September 30</b>	<u>\$ (2,836)</u>	<u>\$ (4,599)</u>

The accompanying notes are an integral part of these financial statements

**MANITEX INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	Nine months ended September 30,	
	2020	2019
<b>Cash flows from operating activities:</b>		
Net loss	\$ (11,724)	\$ (7,705)
Adjustments to reconcile net loss to cash used for operating activities:		
Depreciation and amortization	3,190	3,592
Gain on sale of discontinued operations	(376)	—
Gain on extinguishment of debt	(595)	—
Changes in allowances for doubtful accounts	18	445
Changes in inventory reserves	(578)	1,130
Deferred income taxes	(21)	1,985
Amortization of deferred debt issuance costs	161	119
Amortization of debt discount	454	315
Change in value of interest rate swaps	—	(1)
Tradename impairment	137	2,310
Goodwill impairment	6,585	3,165
Customer relationship impairment	—	2,637
Disposal of assets	1	—
Change in value of securities held	—	(5,454)
Share-based compensation	657	447
Adjustment to deferred gain on sales and lease back	—	(95)
Loss on disposal of assets	—	95
Reserves for uncertain tax provisions	(131)	92
Changes in operating assets and liabilities:		
Decrease in accounts receivable	5,845	7,885
Increase in inventory	742	(12,235)
Increase in prepaid expenses	536	(1,598)
Decrease in other assets	—	220
(Decrease) increase in accounts payable*	(1,764)	(3,831)
Increase in deferred income	3,747	—
Increase in accrued expenses	(216)	379
Increase (decrease) other current liabilities	123	(715)
Decrease in other long-term liabilities	(176)	(107)
Net cash provided by (used for) operating activities	6,615	(6,925)
<b>Cash flows from investing activities:</b>		
Proceeds from the sale of investment	—	7,614
Proceeds from the sale of discontinued operations (Note 20)	1,610	—
Purchase of property and equipment	(619)	(1,522)
Investment in intangibles other than goodwill	—	(7)
Net cash provided by investing activities	991	6,085
<b>Cash flows from financing activities:</b>		
Borrowings on revolving term credit facility	8,500	—
Payments on revolving credit facility	(3,500)	—
Payments on convertible debt	(7,000)	—
Net (payments) borrowings working capital facilities (See Note 11)	(136)	23
New borrowings—other	—	588
Note payments	(5,882)	(931)
Shares repurchased for income tax withholding on share-based compensation	(14)	(25)
Payments on capital lease obligations	(397)	(310)
Net cash used for financing activities	(8,429)	(655)
Net decrease in cash and cash equivalents	(823)	(1,495)
Effect of exchange rate changes on cash	806	(601)
Cash and cash equivalents at the beginning of the year**	23,579	22,348
Cash and cash equivalents at end of period**	<u>\$ 23,562</u>	<u>\$ 20,252</u>

See Note 1 for supplemental cash flow disclosures

\*Includes related party activities, see Note 18.

\*\*Includes cash from discontinued operations, see Note 20.

**The accompanying notes are an integral part of these financial statements**

**MANITEX INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands, except share and per share data)

**1. Nature of Operations and Basis of Presentation**

The unaudited Condensed Consolidated Balance Sheets at September 30, 2020 and December 31, 2019 and the related Condensed Consolidated Statements of Operations, Comprehensive Loss, Condensed Consolidated Statements of Shareholders' Equity, and Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2020 and 2019 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial condition, results of operations and cash flows of the Company for the interim periods. Interim results may not be indicative of results to be realized for the entire year. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto, together with management's discussion and analysis of financial condition and results of operations, contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019. The Condensed Consolidated Balance Sheet as of December 31, 2019 was derived from our audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States ("GAAP").

The Company is a leading provider of engineered lifting solutions and operates as a single reportable segment with four operating segments. Operating activities are conducted through the following wholly-owned subsidiaries: Manitex, Inc. ("Manitex"), Badger Equipment Company ("Badger"), PM Oil and Steel S.p.A., formerly known as PM Group S.p.A, and its subsidiaries ("PM" or "PM Group"), Manitex Valla S.r.l. ("Valla"), Crane and Machinery, Inc. ("C&M"), and Crane and Machinery Leasing, Inc. ("C&M Leasing").

*COVID-19 Pandemic*

The Company is continuing to closely monitor the spread and impact of the COVID-19 pandemic and are continually assessing its potential effects on our business and our financial performance as well as the businesses of our customers and vendors. The Company cannot predict the duration or severity of the COVID-19 pandemic, and we cannot reasonably estimate the financial impact the COVID-19 outbreak will have on our results and significant estimates going forward.

*Supplemental Cash Flow Information*

Transactions for the periods ended September 30, 2020 and 2019 are as follows:

	Nine months ended September 30,	
	2020	2019
Interest received in cash	\$ 80	\$ 161
Interest paid in cash	3,027	3,026
Income tax payments in cash	577	148

*Equity Investment*

Prior to the quarter ended September 30, 2017, the Company owned a 51% interest in ASV Holdings, Inc., which was formerly known as A.S.V., LLC ("ASV"). On May 11, 2017, in anticipation of an initial public offering, ASV converted from an LLC to a C-Corporation and the Company's 51% interest was converted to 4,080,000 common shares of ASV. On May 17, 2017, in connection with its initial public offering, ASV sold 1,800,000 of its own shares and the Company sold 2,000,000 shares of ASV common stock and reduced its investment in ASV to a 21.2% interest. ASV was deconsolidated and was recorded as an equity investment starting with the quarter ended September 30, 2017. In February 2018, the Company sold an additional 1,000,000 shares of ASV that it held which reduced the Company's investment in ASV to approximately 11.0%. In September 2019, the Company received cash merger consideration for its remaining 1,080,000 shares of ASV and no longer has an investment in ASV.

*Discontinued Operations*

Sabre is located in Knox, Indiana and manufactures a comprehensive line of specialized mobile tanks for liquid and solid storage and containment solutions with capacities from 8,000 to 21,000 gallons. Its mobile tanks are sold to specialized independent tank rental companies and through the Company's existing dealer network. The tanks are used in a variety of end markets such as petrochemical, waste management and oil and gas drilling.

On March 4, 2020, the Company's Board of Directors approved the exploration by management of various strategic alternatives for Sabre, including the possibility of a transaction involving the sale of all or part of Sabre's business and assets, to determine whether such a transaction would provide value to shareholders. The criterion of asset held for sale has been met and Sabre will be reported as discontinued operations.

On August 21, 2020, the Company signed an Asset Purchase Agreement with Sabre Acquisition, LLC to sell all the assets and certain liabilities of Sabre subject to the agreement for a selling price at closing of approximately \$1,500, subject to certain adjustments based on closing date accounts receivable and inventory.

In addition to the proceeds from sale of \$1,500 in cash received, the Company may receive a maximum royalty and earnout payments of approximately \$2,900 for years 2021 thru 2023 if certain revenue criteria are met. The Company will account for the contingent consideration as a gain in accordance with ASC 450. Under this approach, we will recognize the contingent consideration in earnings after the contingency is resolved. See note 20 Discontinued Operations for further discussion.

## **2. Significant Accounting Policies and New Accounting Pronouncements**

### **Principles of Consolidation**

The Company consolidates all entities that we control by ownership of a majority voting interest. Additionally, there are situations in which consolidation is required even though the usual condition of consolidation (ownership of a majority voting interest) does not apply. Generally, this occurs when an entity holds an interest in another business enterprise that was achieved through arrangements that do not involve voting interests, which results in a disproportionate relationship between such entity's voting interests in, and its exposure to the economic risks and potential rewards of, the other business enterprise. This disproportionate relationship results in what is known as a variable interest, and the entity in which we have this interest is referred to as a Variable Interest Entity ("VIE"). An enterprise must consolidate a VIE if it is determined to be the primary beneficiary of the VIE. The primary beneficiary has both (1) the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and (2) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company eliminates from the Company's financial results all significant intercompany transactions.

### **Restricted Cash**

Certain of the Company's lending arrangements require the Company to post collateral or maintain minimum cash balances in escrow. These cash amounts are reported as current assets on the balance sheets based on when the cash will be contractually released. Total restricted cash was \$231 and \$217 at September 30, 2020 and December 31, 2019, respectively.

### **Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are stated at the amounts the Company's customers are invoiced. Accounts receivable is reduced by an allowance for amounts that may become uncollectible in the future. The Company is exposed to credit losses through the sale of products and services. The Company's expected loss allowance methodology for accounts receivable is developed using historical collection experience, current and future economic and market conditions, and a review of the current status of customer trade accounts receivables. Due to the short-term nature of such receivables, the estimate of amount of accounts receivable that may not be collected is based on aging of the accounts receivable balances and the financial condition of customers. Additionally, specific allowance amounts are established to record the appropriate provision for customers that have a higher probability of default. The Company's monitoring activities include timely account reconciliation, dispute resolution, payment confirmation, consideration of customers' financial condition and macroeconomic conditions. Balances are written off when determined to be uncollectible. The Company considered the current and future economic and market conditions surrounding the ongoing COVID-19 pandemic and determined that the estimate of credit losses was not significantly impacted at this time. The Company's estimate for the allowance for doubtful accounts related to trade receivables includes evaluation of specific accounts where the Company has information that the customer may have an inability to meet its financial obligations. The Company had allowances for doubtful accounts of \$681 and \$686 at September 30, 2020 and December 31, 2019, respectively.

### **Assets and Liabilities Classified as Held for Sale**

The Company classifies assets (or disposal groups comprised of assets and liabilities) as held for sale when they are expected to be recovered primarily through sale rather than through continuing use. They are stated at the lower of carrying amount or fair value less costs to sell. Upon reclassification, we cease to depreciate or amortize non-current assets classified as held for sale.

A discontinued operation is a component of our business that represents a separate major line of business or geographical area of operation that has been disposed of or is held for sale and a strategic shift that will have a major effect on our operations and financial results. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income (loss) is revised as if the operation had been discontinued from the start of the comparative period. We have elected to not revise unaudited condensed consolidated statements of cash flows to split operating, investing and financing activities between continuing and discontinued operations, but instead provide certain required cash flow information. The Company will account for the contingent consideration as a gain in accordance with ASC 450. Under this approach, we will recognize the contingent consideration in earnings after the contingency is resolved. As part of the discontinued operations classification, we review the allocation of corporate expenses, interest expense and entity-wide goodwill and intangible assets. In addition, income taxes are calculated on a stand-alone basis for both continuing and discontinued operations.

See Note 20 to the unaudited condensed consolidated financial statements included elsewhere in this quarterly report for a more detailed discussion of assets held for sale and discontinued operations.

### **Inventory, net**

Inventory consists of stock materials and equipment stated at the lower of cost (first in, first out) or net realizable value. All equipment classified as inventory is available for sale. The Company records excess and obsolete inventory reserves. The estimated reserve is based upon specific identification of excess or obsolete inventories. Selling, general and administrative expenses are expensed as incurred and are not capitalized as a component of inventory.

### **Accrued Warranties**

Warranty costs are accrued at the time revenue is recognized. The Company's products are typically sold with a warranty covering defects that arise during a fixed period of time. The specific warranty offered is a function of customer expectations and competitive forces. The Equipment Distribution division does not accrue for warranty costs at the time of sales, as they are reimbursed by the manufacturers for any warranty that they provide to their customers.

A liability for estimated warranty claims is accrued at the time of sale. The liability is established using historical warranty claim experience. Historical warranty experience is, however, reviewed by management. The current provision may be adjusted to take into account unusual or non-recurring events in the past or anticipated changes in future warranty claims. Adjustments to the initial warranty accrual are recorded if actual claim experience indicates that adjustments are necessary. Warranty reserves are reviewed to ensure critical assumptions are updated for known events that may impact the potential warranty liability.

### **Accounting for Paycheck Protection Program**

The Company has elected to account for the Paycheck Protection Program (PPP) loan as a government grant and as such, the loan was recorded as a deferred income liability on the balance sheet and when the loan will be forgiven the offset will be recorded against the related expenses on the income statement. On the statement of cash flows, the loan has been recorded in cash provided by operating activities.

### **Interest Rate Swap Contracts**

The Company enters into derivative instruments to manage its exposure to interest rate risk related to certain foreign term loans. Derivatives are initially recognized at fair value at the date the contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in current earnings immediately unless the derivative is designated and effective as a hedging instrument, in which case the effective portion of the gain or loss is recognized and is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged instrument affects earnings. The Company's interest rate swap contracts are held by the PM Group and are intended to manage the exposure to interest rate risk related to certain term loans that PM Group has with certain financial institutions in Italy. These contracts have been determined not to be hedge instruments under ASC 815-10.

### **Litigation Claims**

In determining whether liabilities should be recorded for pending litigation claims, the Company must assess the allegations and the likelihood that it will successfully defend itself. When the Company believes it is probable that it will not prevail in a particular matter, it will then make an estimate of the amount of liability based, in part, on the advice of legal counsel.

## **Income Taxes**

The Company's provision for income taxes consists of U.S. and foreign taxes in amounts necessary to align the Company's year-to-date tax provision with the effective rate that the Company expects to achieve for the full year. Each quarter the Company updates its estimate of the annual effective tax rate and records cumulative adjustments as necessary. The effective tax rate is based upon the Company's anticipated earnings both in the U.S. and in foreign jurisdictions.

In assessing the realizability of deferred tax assets, the Company evaluates whether it is more-likely-than-not (more than 50%) that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those periods in which temporary differences become deductible and/or net operating losses can be utilized. We assess all positive and negative evidence when determining the amount of the net deferred tax assets that are more-likely-than-not to be realized. This evidence includes, but is not limited to, prior earnings history, schedule reversal of taxable temporary differences, tax planning strategies and projected future taxable income. Significant weight is given to positive and negative evidence that is objectively verifiable. In circumstances where there is sufficient negative evidence indicating that the deferred tax assets are not more likely than not realizable, we establish a valuation allowance.

## **Comprehensive Income**

Reporting "Comprehensive Income" requires reporting and displaying comprehensive income and its components. Comprehensive income includes, in addition to net earnings, other items that are reported as direct adjustments to shareholders' equity. Currently, the comprehensive income adjustment required for the Company consists of a foreign currency translation adjustment, which is the result of consolidating its foreign subsidiaries.

## **Accounting for Equity Investments**

Beginning with the quarter ended September 30, 2017, the Company accounted for its 21.2% investment in ASV under the equity method of accounting. Under the equity method, the Company's share of the net income (loss) of ASV was recognized as income (loss) in the Company's statement of operations and added to the investment account, and dividends received from ASV were treated as a reduction of the investment account. The Company reported ASV's earnings on a one quarter lag as there was no assurance ASV would report earnings in time to be included in the Company's financial statements for any given reporting period.

Between February 26 and 28, 2018, the Company sold 1,000,000 shares of ASV stock, reducing the Company's investment in ASV to approximately 11.0%. During the quarter ended March 31, 2018, the Company:

- Recognized its proportional share of ASV loss for the three months ended December 31, 2017,
- Recorded a loss on the sale of shares,
- Ceased accounting for ASV as an equity investment, and
- Valued its remaining investment in ASV at its current market value.

In September 2019, the Company received cash merger consideration for its remaining 1,080,000 shares of ASV and no longer has an investment in ASV. See Notes 8 and 19.

## **Accounting for Marketable Equity Securities**

Marketable equity securities are valued at fair market value based on the closing price of the stock on the date of the balance sheet. Gains and losses related to fair value adjustments of marketable equity securities are recorded into income each reporting period.

## **Shipping and Handling**

The Company records the amount of shipping and handling costs billed to customers as revenue. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment costs and are included in cost of sales.

## **Adoption of Highly Inflationary Accounting in Argentina**

GAAP guidance requires the use of highly inflationary accounting for countries whose cumulative three-year inflation exceeds 100 percent. In the second quarter of 2018, published inflation indices indicated that the three-year cumulative inflation in Argentina exceeded 100 percent, and as of July 1, 2018, we elected to adopt highly inflationary accounting for our subsidiary in Argentina (“PM Argentina”). Under highly inflationary accounting, PM Argentina’s functional currency became the Euro (its parent company’s reporting currency), and its income statement and balance sheet have been measured in Euros using both current and historical rates of exchange. The effect of changes in exchange rates on peso-denominated monetary assets and liabilities has been reflected in earnings in other (income) and expense, net and was not material. As of September 30, 2020, PM Argentina had a small net peso monetary position. Net sales of PM Argentina were less than 5 percent of our consolidated net sales for the nine months ended September 30, 2020 and 2019, respectively.

## **Recently Issued Pronouncements - Not Yet Adopted**

In December 2019, the FASB issued ASU 2019-12, “Income Taxes Topic 740-Simplifying the Accounting for Income Taxes” (“ASU 2019-12”), which intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application of Topic 740. The effective date for ASU 2019-12 will be the first quarter of fiscal year 2021 and early adoption is permitted. Adoption of Topic 740 is not expected to have a material effect on the Company’s consolidated financial statements.

In March 2020, the FASB issued guidance under ASC 848, Reference Rate Reform. This guidance provides optional expedients and exceptions to account for debt, leases, contracts, hedging relationships and other transactions that reference LIBOR or another reference rate if certain criteria are met. The guidance is effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. We are currently evaluating the potential effects of the adoption of this guidance on our Consolidated Financial Statements.

There have been no other accounting pronouncements issued but not yet adopted by us which are expected to have a material impact on our Consolidated Financial Statements.

## **Recently Adopted Accounting Guidance**

In April 2019, the FASB issued ASU 2019-04, “Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments” (“ASU 2019-04”). ASU 2019-04 provides narrow scope amendments for Topics 326, 815 and 825. The effective date was the first quarter of fiscal year 2020 and early adoption was permitted. The Company adopted this guidance as of January 1, 2020. The adoption of this guidance did not have a significant impact on our operating results. There was no adjustment to retained earnings as a result of the adoption of this guidance.

In September 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” (“ASU 2016-13”). ASU 2016-13 sets forth a “current expected credit loss” model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. The guidance in this standard replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to certain off-balance sheet credit exposures. Subsequently, the FASB issued the following standards related to ASU 2016-13: ASU 2018-19, “Codification Improvements to Topic 326, Financial Instruments - Credit Losses,” ASU 2019-05, “Financial Instruments-Credit Losses (Topic 326) Targeted Transition Relief,” and ASU 2019-11, “Codification Improvements to Topic 326, Financial Instruments-Credit Losses,” which provided additional guidance and clarity to ASU 2016-13 (collectively, the “Credit Loss Standard”). The effective date for these standards was the first quarter of fiscal year 2020 and early adoption was permitted. The Credit Loss Standard was applied using a modified retrospective approach. The Company adopted this guidance as of January 1, 2020. The adoption of this guidance did not have a significant impact on our operating results.

Except as noted above, the guidance issued by the FASB during the current year is not expected to have a material effect on the Company’s consolidated financial statements.

## **3. Revenue Recognition**

Revenue is recognized when obligations under the terms of the contract with our customer are satisfied; generally, this occurs with the transfer of control of our equipment, parts or installation services which occurs at a point in time. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. Our contracts are non-cancellable and returns are only allowed in limited instances through Crane & Machinery, Inc. Sales, value add, and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. The expected costs associated with our base warranties continue to be recognized as expense when the products are sold and do not constitute a separate performance obligation.

For instances where equipment and installation services are sold together, the Company accounts for the equipment and installation services separately. The consideration (including any discounts) is allocated between the equipment and installation services based on their stand-alone selling prices. The stand-alone selling prices are determined based on the prices at which the Company separately sells the equipment.

In some instances, the Company fulfills its obligations and bills the customer for the work performed but does not ship the goods until a later date. These arrangements are considered bill-and-hold transactions. In order to recognize revenue on the bill-and-hold transactions, the Company ensures the customer has requested the arrangement, the product is identified separately as belonging to the customer, the product is ready for shipment to the customer in its current form, and the Company does not have the ability to direct the product to a different customer. A portion of the transaction price is not allocated to the custodial services due to the immaterial value assigned to that performance obligation.

Payment terms offered to customers are defined in contracts and purchase orders and do not include a significant financing component. At times, the Company may offer discounts which are considered variable consideration however, the Company applies the constraint guidance when determining the transaction price to be allocated to the performance obligations.

The Company generates revenue through its principal subsidiaries:

**Manitex, Inc.** (“Manitex”) markets a comprehensive line of boom trucks, truck cranes and sign cranes. Manitex’s boom trucks and crane products are primarily used for industrial projects, energy exploration and infrastructure development, including, roads, bridges and commercial construction.

**Badger Equipment Company** (“Badger”) is a manufacturer of specialized rough terrain cranes and material handling products. Badger primarily serves the needs of the construction, municipality and railroad industries.

**PM Oil and Steel S.p.A** (“PM” or “PM Group”), formerly known as PM Group S.p.A., is a leading Italian manufacturer of truck mounted hydraulic knuckle boom cranes with a 50-year history of technology and innovation, and a product range spanning more than 50 models.

**Manitex Valla S.r.l.’s** (“Valla”) product line of industrial cranes is a full range of precision pick and carry cranes using electric, diesel, and hybrid power options. Its cranes offer wheeled or tracked, and fixed or swing boom configurations, with special applications designed specifically to meet the needs of its customers. These products are sold internationally through dealers and into the rental distribution channel.

**Crane and Machinery, Inc.** (“C&M”) is a distributor of the Company’s products as well as Terex Corporation’s (“Terex”) rough terrain and truck cranes. Crane and Machinery Leasing, Inc.’s (“C&M Leasing”) rents equipment manufactured by the Company as well as a limited amount of equipment manufactured by third parties. Although C&M is a distributor of Terex rough terrain and truck cranes, C&M’s primary business is the distribution of products manufactured by the Company.

For each of the subsidiaries, various products may be sold separately or together with installation services. Further, equipment sales come with a standard warranty that is not sold separately. Additionally, each of the subsidiaries sells parts to its customers.

The following table disaggregates our revenue for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Equipment sales	\$ 29,017	\$ 41,814	\$ 100,782	\$ 136,925
Part sales	6,747	7,994	19,583	23,017
Installation services	702	791	1,949	2,461
Total Revenue	<u>\$ 36,466</u>	<u>\$ 50,599</u>	<u>\$ 122,314</u>	<u>\$ 162,403</u>

The Company attributes revenue to different geographic areas based on where items are shipped to or services are performed. The following table provides detail of revenues by geographic area for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
United States	\$ 14,754	\$ 29,291	\$ 55,746	\$ 83,959
Canada	1,976	1,164	5,789	12,958
Italy	5,932	5,201	15,713	16,813
Chile	1,968	2,976	5,315	7,798
France	1,986	1,827	7,079	6,037
Other	1,886	1,563	4,957	5,571
Argentina	1,397	1,758	3,693	5,648
United Kingdom	1,477	1,553	4,281	4,300
Spain	1,078	689	2,574	3,081
Germany	275	671	2,383	2,822
Finland	306	386	2,203	2,233
Mexico	105	604	890	2,343
Romania	313	98	1,076	1,113
Peru	161	507	303	1,241
Hong Kong	106	135	150	842
Singapore	44	48	1,082	685
Israel	466	24	1,298	609
Czech Republic	301	503	804	1,016
Netherlands	676	596	1,645	1,106
Ireland	48	13	141	416
Martinique	9	67	185	217
China	3	-	247	125
Morocco	85	27	123	118
Denmark	28	26	82	94
Turkey	75	62	194	125
United Arab Emirates	84	148	1,978	205
Bahrain	-	-	35	55
Indonesia	-	37	51	87
Saudi Arabia	20	13	65	61
Russia	21	-	369	37
Puerto Rico	696	286	1,090	320
Belgium	121	85	256	111
South Africa	2	4	69	19
Kuwait	—	—	0	1
Qatar	-	1	56	1
Malaysia	65	151	365	151
Ukraine	1	85	26	85
Thailand	1	—	1	—
	<u>\$ 36,466</u>	<u>\$ 50,599</u>	<u>\$ 122,314</u>	<u>\$ 162,403</u>

## Total Company Revenues by Sources

The sources of the Company's revenues are summarized below for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Boom trucks, knuckle boom & truck cranes	\$ 23,603	\$ 36,682	\$ 85,546	\$ 120,069
Part sales	6,747	7,994	19,583	23,017
Other equipment	2,600	3,021	7,260	11,883
Rough terrain cranes	2,814	2,111	7,976	4,973
Installation services	702	791	1,949	2,461
Total Revenue	<u>\$ 36,466</u>	<u>\$ 50,599</u>	<u>\$ 122,314</u>	<u>\$ 162,403</u>

## Contract Balances

The Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. These costs are included in selling, general, and administrative expenses.

## Customer Deposits

At times, the Company may require an upfront deposit related to its contracts. In instances where an upfront deposit has been received by the Company and the revenue recognition criteria have not yet been met, the Company records a contract liability in the form of a customer deposit, which is classified as a short-term liability on the balance sheet. That customer deposit is deferred until the revenue recognition criteria have been met, at which time, the customer deposit is recognized into revenue.

The following table summarizes changes in customer deposits are as follows:

	September 30, 2020	December 31, 2019
Customer deposits	\$ 1,493	\$ 1,835
Revenue recognized from customer deposits	(4,285)	(5,847)
Customer deposits received	4,448	5,658
Effect of change in exchange rates	13	(153)
	<u>\$ 1,669</u>	<u>\$ 1,493</u>

## 4. Financial Instruments—Marketable Securities, Forward Currency Exchange Contracts and Interest Rate Swap Contracts

The following tables set forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2020 and December 31, 2019 by level within the fair value hierarchy. As required by ASC 820-10, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following is summary of items that the Company measures at fair value on a recurring basis:

	Fair Value at September 30, 2020			
	Level 1	Level 2	Level 3	Total
<b>Liabilities:</b>				
PM contingent liabilities	\$ —	\$ —	\$ 328	\$ 328
Valla contingent consideration	—	—	215	215
Forward currency exchange contracts	—	53	—	53
Total recurring liabilities at fair value	<u>\$ —</u>	<u>\$ 53</u>	<u>\$ 543</u>	<u>\$ 596</u>

	Fair Value at December 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Liabilities:</b>				
PM contingent liabilities	\$ —	\$ —	\$ 314	\$ 314
Valla contingent consideration	—	—	205	205
Forward currency exchange contracts	—	99	—	99
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 99</u>	<u>\$ 519</u>	<u>\$ 618</u>

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			Total
	PM Contingent Consideration	Valla Contingent Consideration		
<b>Liabilities:</b>				
Balance at January 1, 2020	\$ 314	\$ 205	\$	519
Effect of change in exchange rates	14	10		24
Balance at September 30, 2020	<u>\$ 328</u>	<u>\$ 215</u>	<u>\$</u>	<u>543</u>

#### *Fair Value Measurements*

ASC 820-10 classifies the inputs used to measure fair value into the following hierarchy:

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Fair value of the forward currency contracts is determined on the last day of each reporting period using observable inputs, which are supplied to the Company by the foreign currency trading operation of its bank and are Level 2 items.

## **5. Derivative Financial Instruments**

The Company's risk management objective is to use the most efficient and effective methods available to us to minimize, eliminate, reduce or transfer the risks which are associated with fluctuation of exchange rates between the Euro, Chilean peso and the U.S. dollar.

#### *Forward Currency Contracts*

When the Company receives a significant order in a currency other than the operating unit's functional currency, management may evaluate different options that are available to mitigate future currency exchange risks. As of September 30, 2020, the Company had no outstanding forward currency contracts that were in place to hedge future sales. Therefore, there are currently no unrealized pre-tax gains or losses which will be reclassified from other comprehensive income into earnings during the next 12 months.

In addition, the Company enters into forward currency exchange contracts in relationship such that the exchange gains and losses on certain assets and liabilities denominated in a currency other than the reporting units' functional currency would be offset by the changes in the market value of the forward currency exchange contracts it holds. PM Group has an intercompany receivable denominated in Euros from its Chilean subsidiary. At September 30, 2020, the Company had entered into two forward currency exchange contracts that mature on October 28, 2020. Under the first contract the Company was obligated to sell 2,900,000 Chilean pesos for 3,106 euros. The Company had a second contract which obligated the Company to sell 120,000 Chilean pesos for \$152. The purpose of the forward contracts is to mitigate the income effect related to this intercompany receivable that results with a change in exchange rate between the Euro and the Chilean peso.

#### Interest Rate Swap Contracts

A contract was signed by PM Group, for an original notional amount of € 482 (€ .01 at September 30, 2020), maturing on October 1, 2020 with interest paid monthly. PM pays interest at a rate of 3.90% and receives from the counterparties interest at the "Euribor" rate for the period in question if greater than 0.90%.

As of September 30, 2020, the Company had the following forward currency contracts and interest rate swaps:

Nature of Derivative	Currency	Amount	Type
Forward currency sales contracts	Chilean peso	3,020,000	Not designated as hedge instrument
Interest rate swap contract	Euro	8	Not designated as hedge instrument

The following table provides the location and fair value amounts of derivative instruments that are reported in the Condensed Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019:

#### Total derivatives NOT designated as a hedge instrument

Liabilities Derivatives	Balance Sheet Location	Fair Value	
		September 30, 2020	December 31, 2019
Foreign currency exchange contract	Accrued expense	\$ 53	\$ 99

The following tables provide the effect of derivative instruments on the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2020 and 2019:

Derivatives Not Designated as Hedge Instruments	Location of gain or (loss) recognized in the Statement of Operations	Gain (loss)		Gain (loss)	
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2020	2019	2020	2019
Forward currency contracts	Foreign currency transaction (losses) gains	\$ (236)	\$ 105	\$ -	\$ (73)
Interest rate swap contracts	Interest expense	—	(2)	—	1
		<u>\$ (236)</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ (72)</u>

The counterparty to each of the currency exchange forward contracts is a major financial institution with credit ratings of investment grade or better and no collateral is required. Management continues to monitor counterparty risk and believes the risk of incurring losses on derivative contracts related to credit risk is unlikely.

## 6. Inventory, net

The components of inventory are as follows:

	September 30, 2020	December 31, 2019
Raw materials and purchased parts, net	\$ 33,340	\$ 35,406
Work in process, net	4,279	5,547
Finished goods, net	21,022	16,865
Inventory, net	<u>\$ 58,641</u>	<u>\$ 57,818</u>

The Company has established reserves for obsolete and excess inventory of \$7,406 and \$7,961 as of September 30, 2020 and December 31, 2019, respectively.

## 7. Goodwill and Intangible Assets

Intangible assets and accumulated amortization by category as of September 30, 2020 is as follows:

	Weighted Average Amortization Period (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patented and unpatented technology	6	\$ 18,305	\$ (14,218)	\$ 4,087
Customer relationships	6	19,072	(12,161)	6,911
Trade names and trademarks	12	4,830	(2,629)	2,201
Indefinite lived trade names		2,553		2,553
Total intangible assets, net				<u>\$ 15,752</u>

Intangible assets and accumulated amortization by category as of December 31, 2019 is as follows:

	Weighted Average Amortization Period (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patented and unpatented technology	7	\$ 17,963	\$ (13,499)	\$ 4,464
Customer relationships	6	18,602	(10,968)	7,634
Trade names and trademarks	12	4,829	(2,481)	2,348
Indefinite lived trade names		2,586		2,586
Total intangible assets, net				<u>\$ 17,032</u>

Amortization expense for intangible assets was \$565 and \$572, and \$1,645 and \$1,147 for the three and nine months ended September 30, 2020 and 2019, respectively.

Estimated amortization expense for the next five years and subsequent is as follows:

	Amount
2021	\$ 2,073
2022	2,073
2023	2,073
2024	2,050
2025	2,001
And subsequent	2,929
Total intangibles currently to be amortized	<u>13,199</u>
Intangibles with indefinite lives not amortized	2,553
Total intangible assets	<u>\$ 15,752</u>

Changes in goodwill for the nine months ended September 30, 2020 are as follows:

	<b>Total</b>	
Balance January 1, 2020	\$	32,635
Effect of change in exchange rates		631
Goodwill impairment		(6,567)
Balance September 30, 2020	\$	<u>26,699</u>

The Company performed an impairment assessment as of March 31, 2020, prior to its October 1, 2020 annual measurement date. The Company's policy is to assess the realizability of its intangible assets, and to evaluate such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets (or group of assets) may not be recoverable. Impairment is determined to exist if the estimated future undiscounted cash flows are less than the carrying value. Future cash flow projections include assumptions for future sales levels, the impact of cost reduction programs, and the level of working capital needed to support each business. The amount of any impairment then recognized would be calculated as the difference between the estimated fair value and the carrying value of the asset. As of the valuation date, the global economy and the financial markets were experiencing severe adverse effects from the coronavirus disease (COVID-19) pandemic. While uncertainty remains as to its ultimate impact and duration, the COVID-19 pandemic is causing tremendous hardships globally and adversely impacting global and financial market conditions. At March 31, 2020, the Company considered a decrease in its market capitalization to be a triggering event and as such a valuation analysis was performed and goodwill and intangible assets were determined to be impaired, and as such non-cash impairment charges were made to selling, general and administrative expense and shown separately on the income statement as impairment of intangibles. In order to more closely align the estimated fair values of our reporting units to our overall market capitalization, an increase to our risk premium utilized within our discounted cash flows analysis was applied, resulting in an impairment charge to goodwill and intangible assets at our PM reporting unit in the amount of \$6,585 and \$137, respectively.

## 8. Equity Method Investments

The Company accounted for its investment in ASV during the period (May 17, 2017 to February 26, 2018) that it owned 21.2% of ASV as an equity investment. Under the equity method, the Company's share of the net income (loss) of ASV was recognized as income (loss) in the Company's statement of operations added to the investment, and dividends received from ASV were treated as a reduction of the investment account. The Company reported ASV's earnings on a one quarter lag as there was no assurance that ASV would report earnings in time to be included in the Company's financial statements for any given reporting period. During the quarter ended March 31, 2018, the Company recorded its proportional share of ASV's loss for the quarter ended December 31, 2017 and recorded amortization related temporary differences.

Between February 26 and 28, 2018, the Company sold 1,000,000 shares of ASV stock, reducing the Company's investment to approximately 11.0%, and ceased accounting for its investment in ASV as an equity method investment. In September 2019, the Company received cash merger consideration for its remaining 1,080,000 shares of ASV and no longer has an investment in ASV. See Note 19.

## 9. Accrued Expenses

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Accrued payroll	\$ 1,863	\$ 899
Accrued warranty	1,365	1,604
Accrued taxes other than income taxes	1,299	1,297
Accrued expenses—other	1,290	684
Accrued vacation	1,168	1,218
Accrued employee benefits	860	829
Accrued interest	738	932
Accrued bonuses	238	797
Accrued commissions	225	344
Accrued product liability and workers compensation claims	219	534
Total accrued expenses	<u>\$ 9,265</u>	<u>\$ 9,138</u>

## 10. Accrued Warranty

The accrued warranty liability is established using historical warranty claim experience; however, the current provision may be adjusted to take into consideration unusual or non-recurring events in the past or anticipated changes in future warrant claims.

	For the nine months ended	
	September 30,	
	2020	2019
Balance January 1,	\$ 1,604	\$ 2,004
Accrual for warranties issued during the period	1,576	1,856
Warranty services provided	(1,885)	(1,579)
Changes in estimate	59	(518)
Foreign currency translation	11	(52)
Balance September 30,	<u>\$ 1,365</u>	<u>\$ 1,711</u>

## 11. Credit Facilities and Debt

### *U.S. Credit Facilities*

At September 30, 2020, the Company and its U.S. subsidiaries have a Loan and Security Agreement, as amended (the “Loan Agreement”), with CIBC Bank USA (“CIBC”), formerly known as “The Private Bank and Trust Company”. The Loan Agreement provides a revolving credit facility extending the maturity date from July 20, 2021 to July 20, 2023. The aggregate amount of the facility increased from \$25,000 to \$30,000.

The maximum borrowing available to the Company under the Loan Agreement is limited to: (1) up to 85% of eligible receivables; plus (2) up to 50% of eligible inventory valued at the lower of cost or net realizable value subject to a \$20,000 limit; plus (3) up to 80% of eligible used equipment, as defined, valued at the lower of cost or market subject to a \$2,000 limit; plus (4) 85% of Eligible Bill and Hold Receivables (as defined in the Loan Agreement) subject to a \$10,000 limit; plus (5) 50% of eligible Mexico receivables (as defined in the Loan Agreement) valued at the lower of cost or net realizable value subject to a \$400 limit. At September 30, 2020, the maximum the Company could borrow based on available collateral was \$22,300. At September 30, 2020, the Company had \$5,000 in borrowings with approximately \$17,300 available to borrow under its revolving credit facility. The Company had no borrowings at December 31, 2019. The indebtedness under the Loan Agreement is collateralized by substantially all of the Company’s assets, except for certain assets of the Company’s subsidiaries.

The Loan Agreement provides that the Company can opt to pay interest on the revolving credit at either a base rate plus a spread, or a LIBOR rate plus a spread. The base rate spread ranges from 0.00% to 0.50% depending on the Borrower’s Adjusted Excess Availability (as defined in the Loan Agreement). The LIBOR spread ranges from 1.75% to 2.25% also depending on the Adjusted Excess Availability. Funds borrowed under the LIBOR option can be borrowed for periods of one, two, or three months and are limited to four LIBOR contracts outstanding at any time. In addition, CIBC assesses an unused line fee that ranges from 0.25% to 0.375% and is payable monthly.

The Loan Agreement subjects the Company and its domestic subsidiaries to a minimum quarterly EBITDA covenant (as defined in the Loan Agreement). The minimum quarterly EBITDA covenant (as defined in the Loan Agreement) is \$2,000 for all fiscal years starting with the fiscal year ended December 31, 2017 through the end of the agreement. Additionally, the Company and its domestic subsidiaries are subject to a Fixed Charge Coverage ratio of 1.10 to 1.00 measured on an annual basis beginning September 30, 2019 (based on a trailing twelve-month basis) through the term of the agreement. At the end of a quarter, if there is less than \$15,000 of excess availability and more than \$5,000 in outstanding borrowings, then covenant testing is required. The Loan Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict the Company’s ability to, among other things, incur additional indebtedness, grant liens, merge or consolidate, dispose of assets, make investments, make acquisitions, pay dividends or make distributions, repurchase stock, in each case subject to customary exceptions for a credit facility of this size. The Company was not required to calculate covenant compliance calculations at September 30, 2020 and December 31, 2019.

The Loan Agreement has a Letter of Credit facility of \$3,000, which is fully reserved against availability.

### *Note Payable—Winona Facility Purchase*

At September 30, 2020, Badger has a balance on note payable to Avis Industrial Corporation of \$207. Badger is required to make 60 monthly payments of \$10 that began on August 1, 2017. The note dated July 26, 2017, had an original principal amount of \$500 and annual interest rate of 8.00%. The note is guaranteed by the Company.

### *PM Debt Paydown*

In May 2020 PM's term and secured debt with Unicredit was purchased by Davy Global Fund management in Ireland. The Company approached Davy Global Fund to paydown the entire Unicredit debt obligation in a cash offer at a discount. On July 20, 2020, the Company paid off the entire PM term and unsecured debt of €4,960 (\$6,269) with Unicredit at a 15% discount to its face value which resulted in a gain of €533 (\$595) recorded in other income. In addition, accrued interest from April 1, 2020 to July 19, 2020 was forgiven by the bank.

### *PM Debt Restructuring*

On March 6, 2018, PM Group and Oil & Steel S.p.A. (PM Group's subsidiary) entered into a Debt Restructuring Agreement (the "Restructuring Agreement") with Banca Monte dei Paschi di Siena S.p.A., Banca Nazionale del Lavoro S.p.A., BPER Banca S.p.A., Cassa di Risparmio in Bologna S.p.A. and Unicredit S.p.A. (collectively the "Lenders"), and Loan Agency Services S.r.l. (the "Agent"). The Restructuring Agreement, which replaces the previous debt restructuring agreement with the Lenders entered into in 2014, provides for, among other things:

- The provision of subordinated shareholders' loans by the Company to PM Group, consisting of (i) conversion of an existing trade receivable in the amount of €3,100 into a loan; (ii) an additional subordinated shareholders' loan in the aggregate maximum amount of up to €2,400, to be made currently; and (iii) a further loan of €1,800 which was paid by December 31, 2018, in each case to be used to repay a portion of PM Group's outstanding obligations to the Lenders;
- Amendments to the 2014 put and call options agreement with BPER to, among other things, extend the exercise of the options until the approval of PM Group's financial statements for the 2021 fiscal year and permit the assignment of certain subordinated receivables to the Company. The fair market value of this liability is subject to revaluation on a recurring basis;
- New amortization and repayment schedules for amounts owed by PM Group to the Lenders under the various outstanding tranches of indebtedness, along with revised interest rates and financial covenants. Under the Debt Restructuring Agreement term debt is repaid over a nine-year period starting in 2018 and ending in 2026 (versus 2022 prior to the Debt Restructuring Agreement); and
- The effect of PM Group not meeting its December 31, 2017 financial covenants was cured by the Debt Restructuring Agreement.

### *PM Group Short-Term Working Capital Borrowings*

At September 30, 2020, PM Group has established demand credit and overdraft facilities with five Italian banks, one Spanish bank and five banks in South America. Under the facilities, PM Group can borrow up to €20,423 (\$23,942) for advances against invoices, and letter of credit and bank overdrafts. At December 31, 2019, PM Group had established demand credit and overdraft facilities with five Italian banks and nine banks in South America. Under the facilities, PM Group can borrow up to €21,337 (\$23,955) for advances against invoices, and letter of credit and bank overdrafts. These facilities are divided into two types: working capital facilities and cash facilities. Interest on the Italian working capital facilities and cash facilities is charged at the 3-month Euribor plus 175 or 200 basis points and 3-month Euribor plus 350 basis points, respectively. Interest on the South American facilities is charged at a flat rate of points for advances on invoices ranging from 8%-52% and 8-55% during the nine months ended September 30, 2020 and 12 months ended December 31, 2019, respectively.

At September 30, 2020, the Italian banks has advanced PM Group €12,487 (\$14,638), at variable interest rates, which currently range from 1.75% to 2.00%. At September 30, 2020, there were no advances to PM Group from the Spanish bank. At September 30, 2020, the South American banks had advanced PM Group €286 (\$335). At December 31, 2019, the Italian banks had advanced PM Group €11,877 (\$13,334), at variable interest rates, which currently range from 1.75% to 2.00%. At December 31, 2019, there were no advances to PM Group from the Spanish bank. At December 31, 2019, the South American banks had advanced PM Group €971 (\$1,090). Total short-term borrowings for PM Group were €12,773 (\$14,973) and €12,848 (\$14,424) at September 30, 2020 and December 31, 2019, respectively.

### *PM Group Term Loans*

At September 30, 2020, PM Group has a €6,248 (\$7,324) term loan with BPER, an Italian bank. The term loan is split into a note and a balloon payment and is secured by PM Group's common stock. The term loan is charged interest at a fixed rate of 3.5%. The note is payable in annual installments of principal €991 for 2020, €1,026 for 2021, €1,062 for 2022, €1,099 for 2023, €1,137 for 2024, and €1,177 for 2025. The balloon payment is payable in a single payment of €3,002 in 2026. See above for restructuring. At December 31, 2019, the note and balloon payment had an outstanding principal balance of €6,492 (\$7,289) for BPER and €3,002 (\$3,439) for Unicredit, respectively.

An adjustment in the purchase accounting to value the non-interest-bearing debt at its fair market value was made. At March 6, 2018, it was determined that the fair value of the debt was €480 or \$550 less than the book value. This reduction is not reflected in the above descriptions of PM debt. This discount is being amortized over the life of the debt and being charged to interest expense. As of September 30, 2020, the remaining balance was €143 or \$167 and has been offset against the debt.

At September 30, 2020, PM Group has unsecured borrowings with two Italian banks totaling €8,670 (\$10,164). At December 31, 2019, PM Group has unsecured borrowings with three Italian banks totaling €10,385 (\$11,659). Interest on the unsecured notes is charged at a stated and effective rate of 3.5% at September 30, 2020 and December 31, 2019. Annual payments of €1,731 are payable beginning in 2019 and ending in 2025.

PM Group is subject to certain financial covenants as defined by the debt restructuring agreement including maintaining (1) Net debt to EBITDA, (2) Net debt to equity, and (3) EBITDA to net financial charges ratios. The covenants are measured on a semi-annual basis beginning on December 31, 2018. The Company was in compliance with the loan covenants at September 30, 2020.

At September 30, 2020 and December 31, 2019, Autogru PM RO, a subsidiary of PM Group, had three notes. The first note is payable in 60 monthly principal installments of €8 (\$9), plus interest at the 1-month Euribor plus 300 basis points, effective rate of 3.00% at September 30, 2020 and December 31, 2019, maturing October 2020. At September 30, 2020 and December 31, 2019, the outstanding principal balance of the note was €8 (\$9) and €84 (\$94).

The second note is payable in monthly installments of €9 (\$10) starting from September 2019 and ending in January 2022, and one final payment of €6 (\$7) in January 2022. The note is charged interest at the 1-month Euribor plus 250 basis points, effective rate of 2.50% at September 30, 2020 and December 31, 2019. At September 30, 2020, the outstanding balance was €142 (\$166). At December 31, 2019, the outstanding principal balance of the note was €218 (\$245).

The third note is divided in three parts: the first part is payable in 60 monthly installments of €1 (\$1) plus interest at the 6-month Euribor plus 275 basis points, effective rate of 2.75% at September 30, 2020 and December 31, 2019, maturing February 2023; the second part is payable in 60 monthly installments of €4 (\$5) plus interest at the 6-month Euribor plus 275 basis points, effective rate of 2.75% at September 30, 2020 and December 31, 2019, maturing April 2023; the third part is payable in 60 monthly installments of €1 (\$1) plus interest at the 6-month Euribor plus 275 basis points, effective rate of 2.75% at September 30, 2020 and December 31, 2019, maturing September 2023. At September 30, 2020 and December 31, 2019, the outstanding principal balance of the note was €181 (\$213) and €234 (\$263).

### *Valla Short-Term Working Capital Borrowings*

At September 30, 2020 and December 31, 2019, Valla had established demand credit and overdraft facilities with two Italian banks. Under the facilities, Valla can borrow up to approximately €660 (\$774) and €660 (\$741) as of September 30, 2020 and December 31, 2019, for advances against orders, invoices and bank overdrafts. Interest on the Italian working capital facilities is charged at a flat percentage rate for advances on invoices and orders ranging from 1.67% - 4.75%. At September 30, 2020 and December 31, 2019, the Italian banks had advanced Valla €224 (\$263) and €269 (\$302).

### *Valla Term Loans*

At September 30, 2020 and December 31, 2019, Valla has a term loan with Carisbo. The note is payable in quarterly principal installments beginning on October 30, 2017 of €8 (\$9), plus interest at the 3-month Euribor plus 470 basis points, for an effective rate of 4.36% at September 30, 2020 and December 31, 2019. The note matures in January 2021. At September 30, 2020 and December 31, 2019, the outstanding principal balance of the note was €15 (\$18) and €39 (\$44).

At September 30, 2020, Valla has a term loan with BPER. The note is payable in monthly principal installments beginning on July 10, 2022 of €0.5 (\$1), plus interest at 1.45%, for an effective rate of 1.46% at September 30, 2020. The note matures in January 2021. At September 30, 2020, the outstanding principal balance of the note was €25 (\$29).

## Financing Leases

### Georgetown facility

The Company leases its Georgetown facility under a capital lease that expires on April 30, 2028. The monthly rent is currently \$70 and is increased by 3% annually on September 1 during the term of the lease. At September 30, 2020, the outstanding capital lease obligation is \$4,622.

### Equipment

The Company has entered into a lease agreement with a bank pursuant to which the Company is permitted to borrow 100% of the cost of new equipment with 26 month repayment periods. At the conclusion of the lease period, for each piece of equipment the Company is required to purchase that piece of leased equipment for one dollar.

The equipment, which is acquired in ordinary course of the Company's business, is available for sale and rental prior to sale.

Under the lease agreement the Company can elect to exercise an early buyout option at any time, and pay the bank the present value of the remaining rental payments discounted by a specified Index Rate established at the time of leasing. The early buyout option results in a prepayment penalty which progressively decreases during the term of the lease. Alternatively, under the like-kind provisions in the agreement, the Company can elect to replace or substitute different equipment in place of equipment subject to the early buyout without incurring a penalty.

The following is a summary of amounts financed under equipment capital lease agreements:

	<u>Amount Borrowed</u>	<u>Repayment Period</u>	<u>Amount of Monthly Payment</u>	<u>Balance as of September 30, 2020</u>
Equipment inventory	<u>\$ 896</u>	<u>26</u>	<u>\$ 8</u>	<u>\$ 41</u>

## **12. Convertible Notes**

### Related Party

On December 19, 2014, the Company issued a subordinated convertible debenture with a \$7,500 face amount payable to Terex, a related party. The convertible debenture, is subordinated, carries a 5% per annum coupon, and is convertible into Company common stock at a conversion price of \$13.65 per share or a total of 549,451 shares, subject to customary adjustment provisions. The debenture has a December 19, 2020 maturity date.

From and after the third anniversary of the original issuance date, the Company may redeem the convertible debenture in full (but not in part) at any time that the last reported sale price of the Company's common stock equals at least 130% of the Conversion Price for at least 20 of any 30 consecutive trading days. Following an election by the holder to convert the debenture into common stock of the Company in accordance with the terms of the debenture, the Company has the discretion to deliver to the holder either (i) shares of common stock, (ii) a cash payment, or (iii) a combination of cash and stock.

As of September 30, 2020, and December 31, 2019, the note had a remaining principal balance of \$7,455 and \$7,323 and an unamortized discount of \$45 and \$177, respectively.

### Perella Notes

On January 7, 2015, the Company entered into a Note Purchase Agreement (the "Perella Note Purchase Agreement") with MI Convert Holdings LLC (which is owned by investment funds constituting part of the Perella Weinberg Partners Asset Based Value Strategy) and Invemed Associates LLC (together, the "Investors"), pursuant to which the Company agreed to issue \$15,000 in aggregate principal amount of convertible notes due January 7, 2021 (the "Perella Notes") to the Investors. The Perella Notes are subordinated, carry a 6.50% per annum coupon, and are convertible, at the holder's option, into shares of Company common stock, based on an initial conversion price of \$15.00 per share, subject to customary adjustments. Following an election by the holder to convert the debenture into common stock of the Company in accordance with the terms of the debenture, the Company has the discretion to deliver to the holder either (i) shares of common stock, (ii) a cash payment, or (iii) a combination of cash and stock. Upon the occurrence of certain fundamental corporate changes, the Perella Notes are redeemable at the option of the holders of the Perella Notes. The Perella Notes are not redeemable at the Company's option prior to the maturity date, and the payment of principal is subject to acceleration upon an event of default. The issuance of the Perella Notes by the Company was made in reliance upon the exemptions from registration provided by Rule 506 and Section 4(a)(2) of the Securities Act of 1933.

As of September 30, 2020, the note had a remaining principal balance of \$8,000 (less \$24 debt issuance cost for a net debt of \$7,976) and an unamortized discount of \$0, compared to a remaining balance of \$14,858 (less \$98 debt issuance cost for a net debt of \$14,760) and an unamortized discount of \$142 at December 31, 2019.

In January 2020, the Company obtained consent from the Noteholders to make prepayments on the Notes in accordance with the terms of the Note Purchase Agreement. As of September 30, 2020, the Company has paid \$7,000 in principal prepayments on the Notes.

### 13. Leases

We lease certain warehouses, office space, machinery, vehicles, and equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

The Company is not aware of any variable lease payments, residual value guarantees, covenants or restrictions imposed by the leases. Most leases include one or more options to renew, with renewal terms that can extend the lease term. The exercise of lease renewal options is at our sole discretion. The depreciable life of assets is limited by the expected lease term for finance leases.

If there was a rate explicit in the lease, this was the discount rate used. For those leases with no explicit or implicit interest rate, an incremental borrowing rate was used. The weighted average remaining useful life for operating and finance leases was 4 and 7 years, respectively. The weighted average discount rate for operating and finance leases was 3.80% and 12.5% respectively.

Leases (thousands)	Classification	September 30, 2020	December 31, 2019
<b>Assets</b>			
Operating lease assets	Operating lease assets	\$ 2,160	\$ 2,174
Finance lease assets	Fixed assets, net	3,022	3,906
Total leased assets		<u>\$ 5,182</u>	<u>\$ 6,080</u>
<b>Liabilities</b>			
<b>Current</b>			
Operating	Current liabilities	\$ 761	\$ 813
Finance	Current liabilities	352	476
<b>Non-current</b>			
Operating	Non-current liabilities	1,398	1,361
Finance	Non-current liabilities	4,311	4,584
Total lease liabilities		<u>\$ 6,822</u>	<u>\$ 7,234</u>

Lease Cost (thousands)	Classification	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Operating lease costs	Operating lease assets	\$ 262	\$ 203	\$ 793	\$ 636
Finance lease cost					
Depreciation/Amortization of leased assets	Depreciation or Inventory reserve	79	34	306	319
Interest on lease liabilities	Interest expense	145	155	444	469
Lease cost		<u>\$ 486</u>	<u>\$ 392</u>	<u>\$ 1,543</u>	<u>\$ 1,424</u>

Other Information (thousands)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 282	\$ 226	\$ 794	\$ 716
Operating cash flows from finance leases	\$ 79	\$ 106	\$ 306	\$ 320
Financing cash flows from finance leases	\$ 145	\$ 155	\$ 444	\$ 469

Future principal minimum lease payments are:

	Operating Leases	Capital Leases
2021	\$ 819	\$ 913
2022	495	898
2023	336	925
2024	184	952
2025	118	981
And subsequent	379	2,675
Total undiscounted lease payments	2,331	7,344
Less interest	(172)	(2,681)
Total liabilities	\$ 2,159	\$ 4,663
Less current maturities	(761)	(352)
Non-current lease liabilities	\$ 1,398	\$ 4,311

#### 14. Income Taxes

On March 27, 2020, the “Coronavirus Aid, Relief and Economic Security (CARES) Act” was enacted. The CARES Act, among other things, includes provisions relating to net operating loss carrybacks, alternative minimum tax credit refunds, a modification to the net interest deduction limitations and a technical correction to tax depreciation methods for qualified improvement property. The CARES Act did not have a material impact on the Company’s consolidated financial statements for the three or nine months ended September 30, 2020.

For the three months ended September 30, 2020, the Company recorded an income tax provision from continuing operations of \$62, which includes a discrete income tax benefit of \$38. The calculation of the overall income tax provision for the three months ended September 30, 2020 primarily consists of foreign income taxes and a discrete income tax benefit related to the expiration of the statute of limitations for a foreign jurisdiction partially offset by an accrual of interest related to unrecognized tax benefits for. For the three months ended September 30, 2019, the Company recorded an income tax provision of \$1,874, which includes a discrete income tax provision of \$2,224 related to an increase in the valuation allowance and for the accrual of interest related to unrecognized tax benefits.

The effective tax rate for the three months ended September 30, 2020 was an income tax provision of 4.51% on pretax loss of \$1,385 compared to an income tax provision of 72.32% on a pretax loss of \$2,591 in the comparable prior period. The effective tax rate for the three months ended September 30, 2020 differs from the U.S. statutory rate of 21% primarily due to valuation allowance in the U.S. and Italy, nondeductible foreign permanent differences, income taxed in foreign jurisdictions at varying tax rates, and a decrease in unrecognized tax benefits related to the expiration of the statute of limitations for various state jurisdictions.

For the nine months ended September 30, 2020, the Company recorded an income tax benefit from continuing operations of \$191, which includes a discrete income tax benefit of \$382. The calculation of the overall income tax provision for the nine months ended September 30, 2020 primarily consists of foreign income taxes and a discrete income tax benefit related to the expiration of the statute of limitations for various state and foreign jurisdictions, and the settlement of the Romanian tax audit for 2017 and 2018, which includes a partial reduction in the valuation allowance at PM Italy caused by the indirect effects of uncertain tax positions embedded in foreign net operating loss carryforwards. For the nine months ended September 30, 2019, the Company recorded an income tax provision of \$2,449, which includes a discrete income tax provision of \$2,283 related to an increase in the valuation allowance and for the accrual of interest related to unrecognized tax benefits.

The effective tax rate for the nine months ended September 30, 2020 was an income tax benefit of 1.72% on pretax loss of \$11,083 compared to an income tax provision of 94.65% on a pretax income of \$2,588 in the comparable prior period. The effective tax rate for the nine months ended September 30, 2020 differs from the U.S. statutory rate of 21% primarily due to the valuation allowance in the U.S. and Italy, nondeductible permanent differences, income taxed in foreign jurisdictions at varying tax rates and a decrease in unrecognized tax benefits related to the expiration of the statute of limitations for various state and foreign jurisdictions and the tax effects of settling the Romanian tax audit for 2017 and 2018.

The Company's total unrecognized tax benefits as of September 30, 2020 and 2019 were approximately \$3,900 and \$4,100. Included in the unrecognized tax benefits is a liability for the disputed Romania income tax audit assessment for tax years 2012-2016. Depending upon the final resolution of the Italy audit and disputed Romanian income tax assessment, the uncertain tax position liability could be higher or lower than the amount recorded at September 30, 2020. The Romanian audit for tax years 2017 and 2018 was settled during the quarter ended March 31, 2020. A favorable resolution of an unrecognized tax benefit could be recognized as a reduction in the tax provision and effective rate in the period of resolution. An unfavorable settlement of an unrecognized tax benefit could increase the tax provision and effective tax rate and may require the use of cash in the period of resolution.

## 15. Net (Loss) Earnings per Common Share

Basic net earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of convertible debt, restricted stock units and stock options. Details of the calculations are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net (loss) income from continuing operations	\$ (1,447)	\$ (4,465)	\$ (10,892)	\$ 139
Income (loss) from operations of discontinued operations, net of income taxes	(124)	(7,386)	(832)	(7,844)
Net loss	<u>\$ (1,571)</u>	<u>\$ (11,851)</u>	<u>\$ (11,724)</u>	<u>\$ (7,705)</u>
<b>(Loss) earnings per share</b>				
<b>Basic</b>				
Net (loss) income from continuing operations	\$ (0.07)	\$ (0.23)	\$ (0.55)	\$ 0.01
Income (loss) from operations of discontinued operations, net of income taxes	\$ (0.01)	\$ (0.38)	\$ (0.04)	\$ (0.40)
Net loss	<u>\$ (0.08)</u>	<u>\$ (0.60)</u>	<u>\$ (0.59)</u>	<u>\$ (0.39)</u>
<b>Diluted</b>				
Net (loss) income from continuing operations	\$ (0.07)	\$ (0.23)	\$ (0.55)	\$ 0.01
Income (loss) from operations of discontinued operations, net of income taxes	\$ (0.01)	\$ (0.38)	\$ (0.04)	\$ (0.40)
Net loss	<u>\$ (0.08)</u>	<u>\$ (0.60)</u>	<u>\$ (0.59)</u>	<u>\$ (0.39)</u>
<b>Weighted average common shares outstanding</b>				
<b>Basic</b>	<u>19,778,225</u>	<u>19,690,233</u>	<u>19,758,241</u>	<u>19,684,521</u>
<b>Diluted</b>				
Basic	19,778,225	19,690,233	19,758,241	19,684,521
Dilutive effect of restricted stock units and stock options	1,123	25,817	374	30,551
	<u>19,779,348</u>	<u>19,716,050</u>	<u>19,758,615</u>	<u>19,715,072</u>

The following securities were not included in the computation of diluted earnings per share as their effect would have been antidilutive:

	As of September 30,	
	2020	2019
Unvested restricted stock units	260,970	198,874
Options to purchase common stock	97,437	97,437
Convertible subordinated notes	1,549,451	1,549,451
	<u>1,907,858</u>	<u>1,845,762</u>

## 16. Equity

### Stock Issued to Employees and Directors

The Company issued shares of common stock to employees and Directors as restricted stock units issued under the Company's 2004 Incentive Plan vested. Upon issuance entries were recorded to increase common stock and decrease paid in capital for the amounts shown below. The following is a summary of stock issuances that occurred during the period:

Date of Issue	Employees or Director	Shares Issued	Value of Shares Issued
January 1, 2020	Employee	2,250	\$ 13
March 6, 2020	Directors	7,920	47
March 13, 2020	Employee	39,714	292
May 15, 2020	Employee	560	6
May 31, 2020	Directors	6,800	79
August 14, 2020	Directors	9,900	44
August 20, 2020	Employee	333	4
August 21, 2020	Employee	335	2
September 1, 2020	Employee	16,500	93
		<u>84,312</u>	<u>\$ 580</u>

### *Stock Repurchase*

The Company purchases shares of Common Stock from certain employees at the closing share price on the date of purchase. The stock is purchased from the employees to satisfy employees' withholding tax obligations related to stock issuances described above. The below table summarizes shares repurchased from employees during the current year through September 30, 2020:

Date of Purchase	Shares Purchased	Closing Price on Date of Purchase
March 13, 2020	2,949	\$ 4.34
August 20, 2020	116	\$ 4.37
August 21, 2020	116	\$ 4.23
	<u>3,181</u>	

Equity was decreased by \$13, the aggregated value of the shares reflected in the table above.

### *Manitex International, Inc. 2019 Equity Incentive Plan*

In 2019, the Company adopted the Manitex International, Inc. 2019 Equity Incentive Plan (the "Plan"). In 2020, the Plan was amended to increase the number of shares authorized for issuance under the Plan from 279,717 to 779,717. The total number of shares reserved for issuance however, can be adjusted to reflect certain corporate transactions or changes in the Company's capital structure. The Company's employees and members of the board of directors who are not our employees or employees of our affiliates are eligible to participate in the plan. The plan is administered by a committee of the board comprised of members who are outside directors. The plan provides that the committee has the authority to, among other things, select plan participants, determine the type and number of awards, determine award terms, fix all other conditions of any awards, interpret the plan and any plan awards. Under the plan, the committee can grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and performance units, except Directors may not be granted stock appreciation rights, performance shares and performance units.

During any calendar year, participants are limited in the number of grants they may receive under the plan. In any year, an individual may not receive options for more than 15,000 shares, stock appreciation rights with respect to more than 20,000 shares, more than 20,000 shares of restricted stock and/or an award for more than 10,000 performance shares or restricted stock units or performance units. The plan requires that the exercise price for stock options and stock appreciation rights be not less than fair market value of the Company's common stock on date of grant.

Restricted stock units are subject to the same conditions as the restricted stock awards except the restricted stock units will not have voting rights and the common stock will not be issued until the vesting criteria are satisfied.

#### *Restricted Stock Awards*

The following table contains information regarding restricted stock units:

	<b>September 30, 2020</b>
Outstanding on January 1, 2020	198,717
Units granted during the period	155,000
Vested and issued	(81,131)
Vested-issued and repurchased for income tax withholding	(3,181)
Forfeited	(8,435)
Outstanding on September 30, 2020	<u>260,970</u>

The value of the restricted stock is being charged to compensation expense over the vesting period. Compensation expense includes expense related to restricted stock units of \$215 and \$598 and \$141 and \$441 for the three and nine months ended September 30, 2020 and 2019, respectively. Additional compensation expense related to restricted stock units will be \$178, \$666 and \$376 for the remainder of 2020, 2021 and 2022, respectively.

#### *Stock Options*

On September 1, 2019, 50,000 stock options were granted at \$5.62 per share and vest ratably on each of the first three anniversary dates. Compensation expense related to stock options were \$17 and \$59 for the three month and nine months ended September 30, 2020 compared to \$7 and \$7 for the comparable period. Additional compensation expense will be \$10, \$31 and \$10 for the remainder of 2020, 2021 and 2022, respectively. The following table illustrates the various assumptions used to calculate the Black-Scholes option pricing model for stock options granted on September 1, 2019:

	<b>Grant date 9/1/2019</b>
Dividend yields	—
Expected volatility	51.0%
Risk free interest rate	1.42%
Expected life (in years)	6
Fair value of the option granted	<b>\$ 2.76</b>

On May 23, 2018, the Company issued options under the predecessor 2004 Equity Plan to purchase 47,437 shares of the Company's common stock at \$11.08 per share (the closing price of the Company's common stock on the date before the Tadano Purchase Agreement was executed) to a consultant in connection with his services related to Tadano's investment in the Company. The options expire on May 23, 2028. The Company determined that the fair market value of the options was \$130 on date of grant. The value of options is one component of the expenses related to the Tadano transactions discussed above.

#### **17. Legal Proceedings and Other Contingencies**

The Company is involved in various legal proceedings, including product liability, employment related issues, and workers' compensation matters which have arisen in the normal course of operations. The Company has product liability insurance with self-insurance retention limits that range from \$50 to \$500.

The Company has been named as a defendant in several multi-defendant asbestos related product liability lawsuits. In certain instances, the Company is indemnified by a former owner of the product line in question. In the remaining cases the plaintiff has, to date, not been able to establish any exposure by the plaintiff to the Company's products. The Company is uninsured with respect to these claims but believes that it will not incur any material liability with respect to these claims.

When it is probable that a loss has been incurred and possible to make a reasonable estimate of the Company's liability with respect to such matters, a provision is recorded for the amount of such estimate or the minimum amount of a range of estimates when it is not possible to estimate the amount within the range that is most likely to occur. The Company established reserves for several PM lawsuits in conjunction with the accounting for our acquisition of PM.

Additionally, beginning on December 31, 2011 through December 31, 2019, the Company's workmen's compensation insurance policy had a per claim deductible of \$250 and annual aggregates that range from \$1,000 to \$1,875 depending on the policy year. The Company is fully insured for any amount on any individual claim that exceeds the deductible and for any additional amounts of all claims once the aggregate is reached. The Company does not believe that the contingencies associated with these workers' compensation claims in aggregate will have a material adverse effect on the Company.

On May 5, 2011, the Company entered into two separate settlement agreements with two plaintiffs. As of September 30, 2020, the Company has a remaining obligation under the agreements to pay the plaintiffs an aggregate of \$1,045 without interest in 12 annual installments of \$95 on or before May 22 of each year. The Company has recorded a liability for the net present value of the liability. The difference between the net present value and the total payment will be charged to interest expense over the payment period.

It is reasonably possible that the "Estimated Reserve for Product Liability Claims" may change within the next 12 months. A change in estimate could occur if a case is settled for more or less than anticipated, or if additional information becomes known to the Company.

#### *Romania Income Tax Audit*

As described in Note 14, Income Taxes, included in the unrecognized tax benefits is a liability for the disputed Romania income tax audit assessment for tax years 2012-2016. Depending upon the final resolution of the income tax assessment, the liability could be higher or lower than the amount recorded at September 30, 2020.

#### *SEC Inquiry*

The Company has settled the previously disclosed SEC investigation regarding the Company's restatement of prior financial statements.

### **18. Transactions between the Company and Related Parties**

In the course of conducting its business, the Company has entered into certain related party transactions.

PM sold cranes, parts, and accessories to Tadano. C&M purchases cranes and parts from Terex. Additionally, the Company has a convertible note with a face amount of \$7,500 payable to Terex. See Note 12 for additional details.

During the quarter ended March 31, 2017, the Company was the majority owner of ASV and, therefore, ASV was not a related party during that period. In May 2017, the Company reduced its ownership interest in ASV to 21.2% and in February 2018 further reduced its ownership to approximately 11%. As such, ASV became a related party beginning in the quarter ended September 30, 2017. The Company sold its remaining interest in ASV in September 2019 and ASV was no longer a related party at September 30, 2019.

As of September 30, 2020 and December 31, 2019, the Company had accounts receivable and payable with related parties as shown below:

		September 30, 2020	December 31, 2019
Accounts Receivable	Tadano	\$ 10	\$ 88
	Terex	3	9
		<u>\$ 13</u>	<u>\$ 97</u>
Accounts Payable	Terex	46	325
Net Related Party Accounts Payable		<u>\$ 33</u>	<u>\$ 228</u>

The following is a summary of the amounts attributable to certain related party transactions as described in the footnotes to the table, for the periods indicated:

		Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Rent paid:	Bridgeview Facility (1)	\$ 71	\$ 69	\$ 207	\$ 205
Sales to:	Terex	\$ 7	\$ 3	\$ 35	\$ 11
	Tadano	—	139	612	278
Total Sales		<u>\$ 7</u>	<u>\$ 142</u>	<u>\$ 647</u>	<u>\$ 289</u>
Purchases from:	Terex	94	142	374	1,050
	Tadano	11	—	11	—
Total Purchases		<u>\$ 105</u>	<u>\$ 142</u>	<u>\$ 385</u>	<u>\$ 1,050</u>

- (1) The Company leases its 40,000 sq. ft. Bridgeview facility from an entity controlled by Mr. David Langevin, the Company's Executive Chairman and former CEO. Pursuant to the terms of the lease, the Company makes monthly lease payments of \$23. The Company is also responsible for all the associated operations expenses, including insurance, property taxes, and repairs. On October 3, 2018, the lease was amended to extend the initial lease term to fifteen years expiring in May 26, 2025 with a provision for an option one five-year period and thereafter, six one year extension periods. The lease contains a rental escalation clause under which annual rent is increased during the initial lease term by the lesser of the increase in the Consumer Price Increase or 2.0%. Rent for any extension period shall, however, be the then-market rate for similar industrial buildings within the market area. The Company has the option to purchase the building by giving the Landlord written notice at any time prior to the date that is 180 days prior to the expiration of the lease or any extension period. The Landlord can require the Company to purchase the building if a Change of Control Event, as defined in the agreement occurs by giving written notice to the Company at any time prior to the date that is 180 days prior to expiration of the lease or any extension period. The purchase price regardless whether the purchase is initiated by the Company or the landlord will be the Fair Market Value as of the closing date of said sale.

#### *Note Payable to Terex*

As of September 30, 2020, the Company had a convertible note payable of \$7,455 (net of unamortized debt discount) to Terex. See Note 12 Convertible Notes for additional details regarding this convertible note.

## **19. Sale of Investment in ASV Holdings**

### *Sale of Partial Interest in ASV Holdings*

On May 17, 2017, the Company and ASV completed the underwritten initial public offering (the "Offering") of 3,800,000 shares of ASV common stock, including 2,000,000 shares sold by the Company.

Following the sale of the above referenced shares, the Company had significant continuing involvement with ASV in the form of an equity investment (21.2% ownership in ASV).

### *Disposition of the Remaining Available for Sale Investment*

Over the period from February 26 to 28, 2018, the Company sold an aggregate of 1,000,000 shares of ASV in privately-negotiated transactions with institutional purchasers. All such shares were sold for \$7.00 per share. Following such sale transactions, the Company owned an aggregate of 1,080,000 shares of ASV which equated to approximately 11.0% percent of ASV. After this transaction, the investment in ASV is no longer accounted for under the equity method. The Company recognized a pretax loss of \$205 (which includes the \$118 of commissions paid) in connection with sale of these shares. The Company was not able to record a tax benefit for this loss.

In September 2019, ASV merged with Yanmar America Corporation resulting in the Company receiving \$7.05 per share in cash, or \$7.6 million, for its remaining 1,080,000 shares of ASV.

Going forward, the Company no longer has marketable equity securities on its consolidated balance sheet. Gains and losses related to fair value adjustments on marketable equity securities were recorded into income each reporting period. The Company recognized a \$216 gain from change in fair value of marketable securities during the quarter ended September 30, 2019 and a gain of \$5,454 for the nine months ended September 30, 2019.

### **Note 20. Discontinued Operations**

#### *Assets and Liabilities Classified as Held for Sale*

On March 4, 2020, the Company's Board of Directors approved the exploration by management of various strategic alternatives for Sabre, including the possibility of a transaction involving the sale of all or part of Sabre's business and assets, to determine whether such a transaction would provide value to shareholders. The criterion of asset held for sale has been met and Sabre will be reported as a discontinued operation.

On August 21, 2020, the Company entered into an Asset Purchase Agreement to sell Manitex Sabre, Inc. to Sabre Acquisition LLC. for proceeds of \$1,500, subject to certain adjustments based on closing date accounts receivable and inventory.

In addition to the proceeds from sale of \$1,500 in cash received, the Company may receive a maximum royalty and earnout payments of approximately \$2,900 for years 2021 thru 2023 if certain revenue criteria are met. The Company will account for the contingent consideration as a gain in accordance with ASC 450. Under this approach, we will recognize the contingent consideration in earnings after the contingency is resolved.

During the three and nine months ended September 30, 2020, the Company recorded a gain on the sale of Manitex Sabre of \$376, subject to final working capital adjustments.

The calculation of the gain on sale as of August 21, 2020 is as follows:

	<b>Three Months Ended September 30, 2020</b>	<b>Nine Months Ended September 30, 2020</b>
Proceeds from sale	\$ 1,489	\$ 1,489
Transaction Costs	(69)	(69)
Preliminary working capital adjustment	190	190
Net proceeds	1,610	1,610
Net assets sold	(1,234)	(1,234)
Gain on sale before taxes	376	376
Taxes on gain	-	-
Gain on sale, net of tax	<u>\$ 376</u>	<u>\$ 376</u>

For the nine months ended September 30, 2020, cash flows used for operating activities was \$1,649, this consisted of depreciation expense of \$45, no purchases of fixed assets and no amortization expense. Cash flows provided by investing activities consisted of proceeds from sale of assets was \$1,610.

For the nine months ended September, 30, 2019, cash flows provided by operating activities was \$98, this consisted of depreciation and amortization expense of \$350 and purchases of fixed assets of \$95.

	As of			
	September 30, 2020	December 31, 2019		
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	\$ -	\$ 33		
Trade receivables (net)	-	507		
Other receivables	155	—		
Inventory (net)	-	916		
Prepaid expense and other	25	135		
<b>Total current assets of discontinued operations</b>	<b>180</b>	<b>1,591</b>		
<b>Long-term assets</b>				
Total fixed assets (net)	-	314		
Operating lease assets	-	99		
<b>Total long-term assets of discontinued operations</b>	<b>-</b>	<b>413</b>		
<b>Total assets of discontinued operations</b>	<b>\$ 180</b>	<b>\$ 2,004</b>		
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Current operating lease liability	\$ -	\$ 106		
Accounts payable	38	381		
Accrued expenses	177	187		
Customer deposits	-	126		
<b>Total current liabilities of discontinued operations</b>	<b>215</b>	<b>800</b>		
<b>Long-term liabilities</b>				
Other long-term liabilities	-	350		
<b>Total long-term liabilities of discontinued operations</b>	<b>-</b>	<b>350</b>		
<b>Total liabilities of discontinued operations</b>	<b>\$ 215</b>	<b>\$ 1,150</b>		
	<b>For the Three Months</b>		<b>For the Nine Months</b>	
	<b>Ended September 30,</b>		<b>Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Net revenues	\$ 391	\$ 1,342	\$ 3,276	\$ 7,927
Cost of sales	628	1,685	3,594	7,976
Selling, general and administrative expenses	246	6,942	839	7,691
Interest expense	14	20	62	70
Other income	377	3	388	5
Net loss of discontinued operations before income tax	(120)	(7,302)	(831)	(7,805)
Income tax expense related to discontinued operations	4	84	1	39
<b>Net loss on discontinued operations</b>	<b>\$ (124)</b>	<b>\$ (7,386)</b>	<b>\$ (832)</b>	<b>\$ (7,844)</b>

## **Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations**

Manitex International, Inc., through its wholly owned subsidiaries: Manitex, Badger, PM Group, Valla, C&M and C&M Leasing, designs, manufactures and distributes a diverse group of products that serve different functions and are used in a variety of industries.

Manitex is located in Georgetown, Texas and markets a comprehensive line of boom trucks, truck cranes and sign cranes.

Badger is located in Winona, Minnesota and manufactures specialized rough terrain cranes and material handling products.

PM Group is a leading Italian manufacturer of truck mounted hydraulic knuckle boom cranes and a product range spanning more than 50 models. Through its consolidated subsidiaries, PM Group has locations in Modena, Italy; Iberica, Spain; Arad, Romania; Chassieu, France; Buenos Aires, Argentina; Santiago, Chile; London, UK and Mexico City, Mexico.

Valla is located in Piacenza, Italy and produces a line of industrial pick and carry cranes using electric, diesel and hybrid power options with lifting capacity that ranges from 2 to 90 tons.

C&M and C&M Leasing are located in Bridgeview, Illinois. C&M is a distributor of new and used Manitex branded products as well as Terex rough terrain and truck cranes. C&M also provides repair services in Chicago and supplies repair parts for a wide variety of medium to heavy duty construction equipment. C&M Leasing rents equipment that is manufactured by the Company as well as a limited amount of equipment manufactured by third parties.

### **Recent Developments**

#### *Impact of COVID-19*

We are continuing to closely monitor the impact of the COVID-19 pandemic on all aspects of our business, including how it is impacting our customers, employees, supply chain, and distribution network, as well as the demand for our products in the industries and markets that we serve. Our first priority is the health and safety of our employees, customers, and business partners and we believe that we have taken every necessary step to keep our facilities clean and safe during the COVID-19 pandemic. While COVID-19 had a material impact on our reported results for our second and third quarters, we are unable to predict the ultimate impact that it may have on our business, future results of operations, financial position or cash flows. The extent to which our operations may be impacted by the COVID-19 pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the ultimate severity and duration of the outbreak and actions by government authorities to contain the outbreak or treat its impact. Furthermore, the impacts of a potential worsening of global economic conditions and the continued disruptions to and volatility in the financial markets remain unknown. See Part II, Item 1A, Risk Factors, for an additional discussion of risks related to COVID-19.

As a result of the impact of the COVID-19 outbreak, during the second and third quarters of 2020, the Company experienced a temporary reduction of its manufacturing and operating capacity in Italy as a result of government-mandated actions to control the spread of COVID-19 which adversely impacted our revenues. Further, the Company has experience and may continue to experience disruptions or delays in its supply chain as a result of such actions, which would result in higher supply chain costs to the Company in order to maintain the supply of materials and components for its products. In addition, the Company has modified its business practices (including practices regarding employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences).

The Company has experienced a recent decline in demand and volumes in its global businesses as a result of the impact of efforts to contain the spread of COVID-19. In addition, the Company's customers may choose to delay or abandon projects on which the Company provides products and/or services.

In the third quarter to address the COVID-19 outbreak induced downturn in our business including, but not limited to, the Company adopted a restructuring plan for North American operations to generate approximately \$5.0 million in annualized cost savings.

In addition to the above, we continued to take steps to minimize the negative impact of the COVID-19 pandemic on our business and to protect the safety of our employees and customers. For the quarter ended September 30, 2020, we had available liquidity through cash and our credit facility of approximately \$41.0 million to address liquidity concerns and we remained in compliance with the covenants in our bank credit facility as we were able to generate positive cash flow from operations of approximately \$3.0 million for the nine months ending September 30, 2020 and maintain a strong balance sheet.

### *Factors Affecting Revenues and Gross Profit*

The Company derives most of its revenue from purchase orders from dealers and distributors. The demand for the Company's products depends upon the general economic conditions of the markets in which the Company competes. The Company's sales depend in part upon its customers' replacement or repair cycles. Adverse economic conditions, including a decrease in commodity prices, may cause customers to forego or postpone new purchases in favor of repairing existing machinery.

Gross profit varies from period to period. Factors that affect gross profit include product mix, production levels and cost of raw materials. Margins tend to increase when production is skewed towards larger capacity cranes.

### *Business Overview*

PM Group remains a very bright spot in our portfolio, and we have made notable progress towards our goal of achieving higher levels of penetration in the global articulating cranes market. As we announced in our annual update in March, we started 2020 with robust demand for PM products, but unfortunately with the outbreak of COVID-19 in Italy, we were forced to temporarily halt production at our Italian facilities for approximately four weeks during the second quarter of 2020, with employees being told to stay home. Even with these limitations, we delivered improved Adjusted EBITDA, year over year, and the backlog, at approximately \$28.6 million an increase of 29% year over year, gives us visibility, all things equal, for a year of modest growth for PM, with improved Adjusted EBITDA margins that approaches our long-term targets. In addition, the Company secured a purchase order from an international military entity in the third quarter of 2020 for approximately \$2.5 million with an option of \$2.3 million in additional deliveries.

In our North American operations, COVID-19 had a significant impact during the third quarter 2020 with lower production and increased uncertainty of future demand. Our North American operations have thus far remained opened during the pandemic, which has allowed us to deliver on our backlog. We are preparing as though the lower demand exacerbated by the COVID-19 pandemic is going to persist throughout the year, particularly in the Manitex straight-mast crane side of the business.

The Company's backlog is \$50.5 million and \$65.3 million at September 30, 2020 and December 31, 2019, respectively.

### **Three Months Ended September 30, 2020 Compared to Three Months Ended September 30, 2019**

#### **Net (loss) income from continuing operations for the three-month periods ended September 30, 2020 and 2019**

For the three months ended September 30, 2020 and 2019 the Company had net losses of \$1.5 million compared to \$4.5 million, respectively.

For the three months ended September 30, 2020, the net loss of \$1.5 million consisted of revenue of \$36.5 million, cost of sales of \$29.8 million, research and development costs of \$0.8 million, selling, general and administrative ("SG&A") expenses of \$6.5 million, net interest expense of \$0.8 million and income tax expense of \$0.1 million.

For the three months ended September 30, 2019, the net loss of \$4.5 million consisted of revenue of \$50.6 million, cost of sales of \$42.2 million, research and development costs of \$0.5 million, SG&A expenses of \$7.8 million, intangible asset impairment charge of \$1.5 million, interest expense of \$1.1 million, a gain in change in fair value of securities held of \$0.2 million, a foreign currency loss of \$0.3 million and income tax expense of \$1.9 million.

**Net revenues and gross profit** —For the three months ended September 30, 2020, net revenues and gross profit were \$36.5 million and \$6.7 million, respectively. Gross profit as a percent of revenues was 18.3% for the three months ended September 30, 2020. For the three months ended September 30, 2019, net revenues and gross profit were \$50.6 million and \$8.4 million, respectively. Gross profit as a percent of revenues was 16.7% for the three months ended September 30, 2019.

Net revenues decreased \$14.1 million or 27.9% to \$36.5 million for the three months ended September 30, 2020 from \$50.6 million for the comparable period in 2019. The decrease in revenues is primarily due to decreases in sales of straight mast cranes. The decreases in revenues for the three months ended September 30, 2020 were partially offset by a favorable impacted by \$1.0 million in foreign currency translation adjustments resulting from a stronger Euro.

Our gross profit decreased \$1.7 million to \$6.7 million for the three months ended September 30, 2020 from \$8.4 million for the comparable period in 2019. The decrease in gross profit is attributable to decreases in revenues and product mix partially offset by decline in cost of sales driven by cost savings. The increase in the gross profit percentage is primarily due to lower straight mast crane sales which has lower margins and cost reductions related to headcount and production supplies.

**Research and development** —Research and development expense was \$0.8 million for the three months ended September 30, 2020 compared with \$0.5 million for the same period in 2019. The Company’s research and development spending reflects our continued commitment to develop and introduce new products that give the Company a competitive advantage.

**Selling, general and administrative expense** —SG&A expense for the three months ended September 30, 2020 was \$6.5 million compared to \$7.8 million for the comparable period in 2019, a decrease of \$1.3 million. The decreases are primarily related to cost savings implemented during the third quarter in 2020 related to salary expenses, accounting fees and postponing consultant costs, as part of the Company’s restructuring plan.

**Impairment of goodwill and intangibles-** For the three months ended September 30, 2020, the Company had no impairment of goodwill or intangibles compared to \$1.5 million for the three months ended September 30, 2019.

**Interest expense** —Interest expense was \$0.8 million for the three months ended September 30, 2020 compared to \$1.1 million for the comparable period in 2019. The decrease in interest expense is due to lower debt and interest rates.

**Gain from extinguishment of debt**— For the three months ended September 30, 2020, the Company paid off the entire PM term and unsecured debt at a 15% discount to its face value which resulted in a gain of \$0.6 million.

**Change in fair value of securities held**— For the three months ended September 30, 2020, the Company held no marketable securities. For the three months ended September 30, 2019 the Company had a gain of \$0.2 million in fair value of marketable securities. The gain for the three months ended September 30, 2019 was due to a change in the fair value of securities held in ASV.

**Foreign currency transaction losses** —For the three months ended September 30, 2020, the Company had foreign currency losses of \$0.2 million compared to \$0.3 million for the comparable period in 2019. A substantial portion of the losses relate to changes in the Argentinian peso. The Company has not been able to identify a strategy to effectively hedge the currency risks related to the Argentinian peso.

**Other expense** —Other expense was \$0.3 million for the three months ended September 30, 2020 compared to less than \$0.1 million for the comparable period in 2019. Other expense for the three months ended September 30, 2020, was primarily due to a legal settlement.

**Income tax** — On March 27, 2020, the “Coronavirus Aid, Relief and Economic Security (CARES) Act” was enacted. The CARES Act, among other things, includes provisions relating to net operating loss carrybacks, alternative minimum tax credit refunds, a modification to the net interest deduction limitations and a technical correction to tax depreciation methods for qualified improvement property. The CARES Act did not have a material impact on the Company’s consolidated financial statements for the three months ended September 30, 2020.

For the three months ended September 30, 2020, the Company recorded an income tax provision from continuing operations of \$0.06 million, which includes a discrete income tax benefit of \$0.04 million. The calculation of the overall income tax provision for the three months ended September 30, 2020 primarily consists of foreign income taxes and a discrete income tax benefit related to the expiration of the statute of limitations for a foreign jurisdiction. For the three months ended September 30, 2019, the Company recorded an income tax provision of \$1.9 million, which includes a discrete income tax provision of \$2.2 million related to an increase in the valuation allowance and for the accrual of interest related to unrecognized tax benefits.

The effective tax rate for the three months ended September 30, 2020 was an income tax provision of 4.51% on pretax loss of \$1.4 million compared to an income tax provision of 72.32% on a pretax loss of \$2.6 million in the comparable prior period. The effective tax rate for the three months ended September 30, 2020 differs from the U.S. statutory rate of 21% primarily due to the valuation allowance in the U.S. and Italy, nondeductible permanent differences, income taxed in foreign jurisdictions at varying tax rates and a decrease in unrecognized tax benefits related to the expiration of the statute of limitations for a foreign jurisdiction.

#### **Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019**

##### **Net (loss) income from continuing operations for the nine-month periods ended September 30, 2020 and 2019**

For the nine months ended September 30, 2020 and 2019 the Company had net loss of \$10.9 million and net income of \$0.1 million, respectively.

For the nine months ended September 30, 2020 the net loss of \$10.9 million consisted of revenue of \$122.3 million, cost of sales of \$99.9 million, research and development costs of \$2.2 million, SG&A expenses of \$21.2 million, impairment charge of \$6.7 million, net interest expense of \$2.8 million, foreign currency transaction loss of \$0.7 million, other income of \$0.1 million, and income tax benefit of \$0.2 million. For the nine months ended September 30, 2019 the net income of \$0.1 million consisted of revenue of \$162.4 million, cost of sales of \$131.5 million, research and development costs of \$1.9 million, SG&A expenses of \$26.5 million, impairment charge of \$1.5 million, net interest expense of \$3.1 million, equity investment income of \$5.4 million, foreign currency transaction loss of \$0.7 million and income tax expense of \$2.4 million.

**Net revenues and gross profit** —For the nine months ended September 30, 2020, net revenues and gross profit were \$122.3 million and \$22.4 million, respectively. Gross profit as a percent of revenues was 18.3% for the nine months ended September 30, 2020. For the nine months ended September 30, 2019, net revenues and gross profit were \$162.4 million and \$30.9 million, respectively. Gross profit as a percent of revenues was 19.0% for the nine months ended September 30, 2019.

Net revenues decreased \$40.1 million or 24.7% to \$122.3 million for the nine months ended September 30, 2020 from \$162.4 million for the comparable period in 2019. The decreases are primarily due to decreases in straight mast crane sales and revenues from the Company's United States subsidiaries, primarily due to the impact of the ongoing of COVID-19 pandemic.

Our gross profit decreased \$8.5 million to \$22.4 million for the nine months ended September 30, 2020 from \$30.9 million for the comparable period in 2019. The decrease in gross profit is attributable to a decrease in revenues partially offset by decrease in cost of sales. The decline in the gross profit percentage is primarily driven by lower absorption partially offset by cost reductions.

**Research and development** —Research and development was \$2.2 million for the nine months ended September 30, 2020 compared to \$1.9 million for the same period in 2019. Research and development expenditures were relatively consistent with the prior period. The Company's research and development spending continues to reflect our continued commitment to develop and introduce new products that give the Company a competitive advantage.

**Selling, general and administrative expense** —Selling, general and administrative expense for the nine months ended September 30, 2020 was \$21.2 million compared to \$26.5 million for the comparable period in 2019, a decrease of \$5.3 million. The decreases are primarily related to cost savings during the second quarter of 2020 in which our Italian subsidiaries were shut down, for four weeks, due to COVID-19. These cost savings were related to temporary layoffs and postponing consultant costs. There were also cost savings related to salary expenses and accounting fees.

**Impairment of goodwill and intangibles-** For the nine months ended September 30, 2020, the Company had no impairment of goodwill or intangibles compared to \$1.5 million for the nine months ended September 30, 2019.

**Interest expense** —Interest expense, net was \$2.8 million for the nine months ended September 30, 2020 compared to \$3.1 million for the comparable period in 2019. In 2020, interest expense reflects the benefit of decreased in outstanding debt balances and lower interest rates.

**Gain from extinguishment of debt**— For the nine months ended September 30, 2020, the Company paid off the entire PM term and unsecured debt at a 15% discount to its face value which resulted in a gain of \$0.6 million.

**Change in fair value of securities held**— For the nine months ended September 30, 2020, the Company held no marketable securities. For the nine months ended September 30, 2019, the Company had a gain of \$5.5 million in fair value of marketable securities. Losses for the nine months ended September 30, 2019 were due to a change in the fair value of securities held in ASV (see Notes 2 and 8 in the accompanying Condensed Consolidated Financial Statements).

**Foreign currency transaction losses** —For the nine months ended September 30, 2020, the Company had a foreign currency loss of \$0.7 million compared to a \$0.7 million loss for the comparable period in 2019. A substantial portion of the losses relate to changes in the Argentinian peso. The Company has not been able to identify a strategy to effectively hedge the currency risks related to the Argentinian peso.

**Income tax** — On March 27, 2020, the "Coronavirus Aid, Relief and Economic Security (CARES) Act" was enacted. The CARES Act, among other things, includes provisions relating to net operating loss carrybacks, alternative minimum tax credit refunds, a modification to the net interest deduction limitations and a technical correction to tax depreciation methods for qualified improvement property. The CARES Act did not have a material impact on the Company's consolidated financial statements for the nine months ended September 30, 2020.

For the nine months ended September 30, 2020, the Company recorded an income tax benefit from continuing operations of \$0.2 million, which includes a discrete income tax benefit of \$0.4 million. The calculation of the overall income tax provision for the nine months ended September 30, 2020 primarily consists of foreign income taxes and a discrete income tax benefit related to the expiration of the statute of limitations for various state and foreign jurisdictions, and the settlement of the Romanian tax audit for 2017 and 2018, which includes a partial reduction in the valuation allowance at PM Italy caused by the indirect effects of uncertain tax positions embedded in foreign net operating loss carryforwards. For the nine months ended September 30, 2019, the Company recorded an income tax provision of \$2.5 million, which includes a discrete income tax provision of \$2.3 million related to an increase in the valuation allowance and for the accrual of interest related to unrecognized tax benefits.

The effective tax rate for the nine months ended September 30, 2020 was an income tax benefit of 1.72% on pretax loss of \$11.1 million compared to an income tax provision of 94.65% on a pretax income of \$2.6 million in the comparable prior period. The effective tax rate for the nine months ended September 30, 2020 differs from the U.S. statutory rate of 21% primarily due to the valuation allowance in the U.S. and Italy, nondeductible permanent differences, income taxed in foreign jurisdictions at varying tax rates, and a decrease in unrecognized tax benefits related to the expiration of the statute of limitations for various state and foreign jurisdictions and the tax effects of settling the Romanian tax audit for 2017 and 2018.

**Other expense**— For the nine months ended September 30, 2020, the Company had other expense of \$0.5 million compared to less than \$0.1 million for the comparable period in 2019. Other expense for the nine months ended September 30, 2020, was primarily related to a legal settlement.

### Liquidity and Capital Resources

The ultimate duration and severity of the COVID-19 pandemic is highly uncertain at this time. Accordingly, its impact on the global economy generally and our customers and suppliers specifically, as well as the potential negative financial impact to our results of operations and liquidity position cannot be reasonably estimated at this time, but could be material. In the context of these uncertain conditions, we are actively managing the business to maintain cash flow and ensure that we have sufficient liquidity for a variety of scenarios. We believe that such strategy will allow us to meet our anticipated funding requirements.

On April 14, 2020, the Company and its United States subsidiaries received the Paycheck Protection Program (PPP) loan which is part of the recently enacted CARES Act administered by the U.S. Small Business Administration. The Company received total proceeds of \$3.7 million from the PPP loan which we anticipate to be fully forgiven. In accordance with the requirements of the PPP, the Company is using proceeds from the PPP loan primarily for payroll costs. The loan is recorded on the balance sheet in current liabilities as deferred income liability and cash provided by operating activities on the statement of cash flows (See Note 2 for accounting policy on loan). While there is no guarantee that the Company will receive forgiveness for any outstanding amounts under the PPP Loan, it believes that it has acted in compliance with the terms of the program and plans to seek forgiveness of the PPP Loan.

Cash, cash equivalents and restricted cash were \$23.6 million at September 30, 2020 consistent with levels as of December 31, 2019. In addition, the Company has a U.S. revolving credit facility with a maturity date of July 20, 2023. At September 30, 2020, the Company had approximately \$17.3 million available to borrow under its revolving credit facility.

At September 30, 2020, the PM Group had established working capital facilities with five Italian, one Spanish and five South American banks. Under these facilities, the PM Group can borrow \$23.9 million against orders, invoices and letters of credit. At September 30, 2020, the PM Group had received advances of \$14.9 million. Future advances are dependent on having available collateral.

Our subsidiary in Argentina (“PM Argentina”) began accounting for their operations as highly inflationary effective July 1, 2018, as required by GAAP. Under highly inflationary accounting, PM Argentina’s functional currency became the Euro (its parent company reporting currency), and its income statement and balance sheet have been measured in Euros using both current and historical rates of exchange. The effect of changes in exchange rates on peso-denominated monetary assets and liabilities has been reflected in earnings in other (income) and expense, net and was not material. As of September 30, 2020, PM Argentina had a small net peso monetary position. Net sales of PM Argentina were less than 5 percent of our consolidated net sales for the nine months ended September 30, 2020 and 2019.

On September 26, 2019, ASV entered into an Agreement and Plan of Merger. The Company’s investment in ASV common stock was converted into \$7.05 per share in cash. The Company received approximately \$7.6 million in cash in September of 2019.

## Cash flows for the nine-month period ended September 30, 2020 compared to nine-months ended September 30, 2019

**Operating Activities** - For the first nine months of 2020, cash flow provided by operating activities was \$6.6 million compared to \$6.9 million used for the same period in the prior year. The increase reflected an increase of \$3.7 million in cash provided by the PPP Loan noted above. Further, the increase related to working capital primarily driven by effective accounts receivable and accounts payable management in the first nine months of 2020 compared to the same period in the prior year.

**Investing Activities** - Cash provided by investing activities was \$1.0 million in the first nine months of 2020, which included \$1.6 million in proceeds from the sale of Sabre in Q3 2020. Cash provided by investing activities was \$6.1 million in the same period a year ago which included a \$7.6 million in proceeds from the conversion of 1,080,000 shares of ASV stock in Q3 2019 into cash consideration in ASV's merger. Cash payments for plant, property and equipment were \$0.6 million and \$1.5 million for the first nine months of 2020 and 2019, respectively.

**Financing Activities** - Cash used for financing activities was an outflow of \$8.4 million for the nine months ended September 30, 2020 which included repayments of the convertible debt of \$7.0 million, note payments of \$5.9 million and repayments on the revolving credit facility of \$3.5 million, offset by \$8.5 million in borrowings from the revolving credit facility. Cash from financing activities was an outflow of \$0.7 million for the nine months ended September 30, 2019, which included a working capital outflow of \$0.6 million.

### *Change in Debt*

During the nine months ended September 30, 2020, total debt decreased by \$6.5 million to \$58.3 million at September 30, 2020 from \$64.8 million at December 31, 2019.

The following is a summary of the net decrease in our indebtedness from December 31, 2019 to September 30, 2020:

Facility	Increase/(decrease) (In millions)
U.S. Revolver	\$ 5.0
Note payable—Badger	(0.1)
Capital leases-buildings	(0.2)
Capital leases-equipment	(0.2)
Convertible note-Terex	0.2
Convertible note-Perella	(6.9)
PM	(4.3)
Valla working capital borrowings	(0.1)
	\$ (6.6)
Debt issuance costs	0.1
	<u>\$ (6.5)</u>

- (1) The amounts on the above table are calculated by determining the differences between the U.S. dollar amounts, or in case of foreign debt, the difference in U.S. amount of local currency debt for September 30, 2020 and December 31, 2019 converted at the exchange rate as of the two respective balance sheet dates. The net change on the above tables agrees to the change in debt that appears on the face of the Company's balance sheet.

The total change on the above tables differs significantly from the amounts that appear in the financing section of the Company's Statement of Cash Flow. This occurs as the changes for Cash Flow statements are calculated in local currency and then converted to dollars at an average exchange rate. The impact of exchange rate fluctuations is, therefore, isolated and is included in separate line on the cash flow statement.

### Outstanding borrowings

The following is a summary of our outstanding borrowings at September 30, 2020:

(In millions)

	Outstanding Balance	Interest Rate	Interest Paid	Principal Payment
U.S. Revolver	\$ 5.0	N/A	Monthly	July 20, 2023 maturity
Convertible note—Terex	7.5	7.5%	Semi-Annual	January 1, 2021 maturity
Convertible note—Perella	8.0	7.5%	Semi-Annual	January 7, 2021 maturity
Capital lease—cranes for sale	0.1	5.5%	Monthly	January 13, 2021 maturity
Capital lease—Georgetown facility	4.6	12.5%	Monthly	\$0.06 million monthly payment includes interest. April 30, 2028 maturity
Note payable—Winona Facility	0.2	8.0%	Monthly	\$0.01 million monthly
PM unsecured borrowings	10.2	3.5%	Semi-Annual	Annual installments starting December 2019 through December 2025
PM Autogru term loan #1	0.1	3.00%	Monthly	\$0.01 million monthly through October 2020
PM Autogru term loan #2	0.1	2.50%	Monthly	\$0.01 monthly through September 2020
PM Autogru term loan #3	0.2	2.75%	Monthly	Monthly through June 2023
PM term loans with related accrued interest, interest rate swaps and FMV adjustments	6.9	0 to 3.5%	Semi-Annual	Annual installments starting December 2019 and a balloon payment in December 2026
PM short-term working capital borrowings	15.0	1.75 to 52.0%	Monthly	Upon payment of invoice
Valla note payable	-	1.46 to 4.38%	Quarterly	Over 14 quarterly payments
Valla short-term working capital borrowings	0.3	1.67 to 4.75%	Monthly	Upon payment of invoice or letter of credit
	\$ 58.2			
Debt issuance costs	0.1			
Debt net of issuance costs	<u>\$ 58.3</u>			

### Future availability under credit facilities

As stated above, the Company had cash of \$23.6 million and approximately \$22.3 million available to borrow under its credit facility as of September 30, 2020. The Company had drawn down \$5.0 million leaving \$17.3 million of remaining availability in this facility.

PM Group has its own working capital facilities. As stated above, any future advances against the Italian facilities are dependent on having available collateral. Additionally, the Company is permitted to make limited advances to the Italian operations under the Company's credit facilities. Additional funds can be advanced to the Italian operations provided that the funds come from the sales of the marketable equity security referenced above.

The Company needs cash to fund normal working capital needs and to make scheduled debt payments as shown in the above table. The U.S. credit facilities are asset based. The maximum the Company may borrow under either facility is the lower of the credit line or the available collateral, as defined in the credit agreements. Collateral under the agreements consists of stated percentages of eligible accounts receivable and inventory.

Under the collateral formulas in the credit facilities accounts receivable collateral is equal to a stated percentage of eligible accounts receivable (generally 85%), while inventory collateral is equal to a stated percentage of eligible inventory (generally 50%) and caps total borrowing against our inventory. If our revenues were to increase significantly in the future, the provision limiting borrowing against accounts receivable and inventory would limit future borrowings. If this were to occur, we would attempt to negotiate higher inventory caps with our banks. There is, however, no assurance that the banks would agree to increase the caps. With the Company's current cash position and additional borrowing capacity, this presently is not viewed to be a significant concern.

The Company expects cash flows from operations and existing availability under the current revolving credit facilities will be adequate to fund future operations. If in the future, we were to determine that additional funding is necessary, we believe that it would be available. There is, however, no assurance that such financing will be available or, if available, on acceptable terms.

We will likely need to raise additional capital through debt or equity financings to fund any future significant acquisitions. There is no assurance that such financing will be available or, if available, on acceptable terms.

### **Off-Balance Sheet Arrangements**

CIBC has issued 2 standby letters of credit at September 30, 2020. The first standby letter of credit is \$0.4 million in favor of an insurance carrier to secure obligations which may arise in connection with future deductible payments that may be incurred under the Company's worker's compensation insurance policies. The second standby letter of credit is \$20 thousand in favor of a governmental agency to secure obligations which may arise in connection with worker's compensation claims.

See Note 17 in the accompanying Condensed Consolidated Financial Statements for further information regarding our guarantees.

### **Related Party Transactions**

See Note 18, Transactions between the Company and Related Parties, in the accompanying Condensed Consolidated Financial Statements for a description of the Company's related party transactions.

### **Critical Accounting Policies**

See Item 7, Management's Discussion and Analysis of Results of Operations and Financial Condition, in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 for a discussion of the Company's other critical accounting policies.

### **Impact of Recently Issued Accounting Standards**

See Note 2, in the accompanying Condensed Consolidated Financial Statements for a summary of recently issued accounting standards.

### **Item 3—Quantitative and Qualitative Disclosures about Market Risk**

The Company's market risk disclosures have not materially changed since the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 was filed. The Company's quantitative and qualitative disclosures about market risk are incorporated by reference from Part II, Item 7A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

### **Item 4—Controls and Procedures**

#### *Disclosure Controls and Procedures*

Under the supervision of and with the participation of management, including the Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), and the Audit Committee of the Board of Directors, the Company conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934, as of September 30, 2020. The Company's evaluation has identified certain material weaknesses in its internal control over financial reporting as further described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. Based on the evaluation of these material weaknesses, the Company has concluded that the Company's disclosure controls and procedures were not effective as of September 30, 2020 to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Based on a number of factors, including the completion of the Audit Committee's internal investigation, our internal review that identified revisions to our previously issued financial statements, and efforts to remediate the material weaknesses in internal control over financial reporting described below we believe the unaudited condensed consolidated financial statements in this Quarterly Report fairly present, in all material respects, our financial position, results of operations and cash flows as of the dates, and for the periods, presented, in conformity with GAAP.

The effectiveness of any system of controls and procedures is subject to certain limitations, and, as a result, there can be no assurance that our controls and procedures will detect all errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be attained.

### *Internal Control over Financial Reporting*

Our Chief Executive Officer and Senior Vice President of Financial Reporting have determined that there were deficiencies in our internal control over financial reporting that constitute material weaknesses, as defined by SEC regulations, at September 30, 2020, with respect to procedures for:

1. We did not maintain adequate entity-level controls with respect to ensuring adequate supporting documentation of journal entries and proper review and approval of journal entries and disbursements that were unusual in nature and of significant amounts.
2. We did not maintain a formal and consistent policy for establishing inventory reserves for excess and obsolete inventory.
3. We did not maintain an effective control environment over information technology general controls, based on the criteria established in the COSO framework, to enable identification and mitigation of risks of material accounting errors.
4. The Company historically has acquired a number of non-public companies. In the course of integrating these companies' financial reporting methods and systems with those of the Company, the Company has not effectively designed and implemented effective internal control activities, based on the criteria established in the COSO framework, across the organization in connection with such acquisitions. We have identified deficiencies in the principles associated with the control activities component of the COSO framework. Specifically, these control deficiencies constitute material weaknesses, either individually or in the aggregate, relating to (i) our ability to attract, develop, and retain sufficient personnel to perform control activities, (ii) selecting and developing control activities that contribute to the mitigation of risks and support achievement of objectives, (iii) deploying control activities through consistent policies that establish what is expected and procedures that put policies into action, and (iv) holding individuals accountable for their internal control related responsibilities.

Accordingly, our Chief Executive Officer and Senior Vice President of Financial Reporting have concluded that our internal control over financial reporting and disclosure controls and procedures, as defined by SEC regulations, were not effective at September 30, 2020.

### **Management's Remediation Activities**

#### *Plan for Remediation of the Material Weaknesses in Internal Control Over Financial Reporting*

Management has been actively engaged in the planning for, and implementation of, remediation efforts to address the remaining material weaknesses, as well as other identified areas of risk. These remediation efforts, outlined below, are intended both to address the identified material weaknesses and to enhance the Company's overall financial control environment. Management's planned actions to further address these issues in fiscal year 2020 include:

- During the fourth quarter of 2019, the Company began implementing controls to prevent anyone in a senior management position from being able to post manual journal entries, and require all manual journal entries to be reviewed and approved by an appropriate individual other than the preparer;
- During the fourth quarter of 2019, the Company began implementing a formal and consistent policy for establishing inventory reserves for excess and obsolete inventory and situations where net realizable value is less than inventory cost;
- Information Technology policies and procedures have been developed for all United States entities. Testing to confirm implementation will take place through the end of 2020;
- Other control improvements including employee retraining with respect to the Company's Code of Ethics began in Q3 2020; and
- Executive oversight will be improved through additional reporting requirements and meetings.

The audit committee directed management to develop a detailed plan and timetable for the implementation of the foregoing remedial measures (to the extent not already completed) and will monitor their implementation. Management completed development/implementation of the detailed plan during the third quarter of 2019 and has been providing updates to the audit committee on a periodic basis. As part of the plan, during the third quarter of 2019, the Company hired an information technology director to evaluate and improve the information technology controls at our U.S. operations so as to enable us to identify and mitigate risks of material accounting errors. During the second quarter of 2019, the Company engaged a top ten accounting firm to help with remediating its material weaknesses. In addition, under the direction of the audit committee, management will continue to review and make necessary changes to the overall design of the Company's internal control environment, as well as policies and procedures to improve the overall effectiveness of internal control over financial reporting.

Management believes the measures described above and others that will be implemented will remediate the control deficiencies the Company has identified and strengthen its internal control over financial reporting. Management is committed to continuous improvement of the Company's internal control processes and will continue to diligently review the Company's financial reporting controls and procedures. As management continues to evaluate and work to improve internal control over financial reporting, the Company may determine to take additional measures to address control deficiencies or determine to modify, or in appropriate circumstances not to complete, certain of the remediation measures described above.

## **PART II—OTHER INFORMATION**

### **Item 1—Legal Proceedings**

The information set forth in Note 17 (Legal Proceedings and Other Contingencies) to the accompanying Condensed Consolidated Financial Statements included in Part I. Item 1 "Financial Statements" of this Quarterly Report on Form 10-Q is incorporated herein by reference.

### **Item 1A—Risk Factors**

As of the date of this filing, other than as described in this Item 1A, there have been no material changes from the risk factors disclosed in the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2019.

#### **The ongoing COVID-19 pandemic has had and could continue to have an adverse effect on our business, financial condition, results of operations and cash flows.**

The global outbreak of COVID-19 severely restricted the level of economic activity in many parts of the world. In response to this outbreak, the governments of many countries, states, cities and other geographic regions have taken a variety of preventative or protective actions, such as imposing restrictions on travel and business operations. While some countries have experienced declining numbers of COVID-19 cases and have therefore reversed some of these preventative and protective measures, others, including certain areas of the United States, have experienced increases in COVID-19 cases and have implemented or are considering implementing or re-implementing such actions. These measures, while intended to curtail the spread of COVID-19, have had and are expected to continue to have significant adverse impacts of uncertain severity and duration on domestic and foreign economies. The outbreak and continued spread of COVID-19 have resulted in a global economic slowdown. Currently, the effectiveness of economic stabilization efforts and other measures being taken to mitigate the effects of these actions and the spread of COVID-19 is uncertain.

As a result of the COVID-19 pandemic, we and our affiliates, employees, suppliers, customers and others have been and may continue to be restricted or prevented from conducting normal business activities, including as a result of shutdowns, travel restrictions and other actions that may be requested or mandated by governmental authorities. Such actions have prevented, and may in the future prevent us from accessing the facilities of our customers to provide services. While a substantial portion of our businesses have been classified as an essential business in jurisdictions in which facility closures have been mandated, some of our facilities have nevertheless been ordered to close in certain jurisdictions and we can give no assurance that there will not be additional closures in the future or that our businesses will be classified as essential in each of the jurisdictions in which we operate.

The COVID-19 outbreak has impacted, and may continue to impact, our office locations and manufacturing facilities, as well as those of our third-party vendors, including the effects of facility closures, reductions in operating hours and other social distancing efforts. In addition, we have modified our business practices (including practices regarding employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences), and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, suppliers and other partners. These modifications to our business practices may cause us to experience reductions in productivity and disruptions to our business routines. Further, we have experienced, and may continue to experience, disruptions or delays in our supply chain as a result of such actions, which has resulted in higher supply chain costs to us in order to maintain an adequate supply of materials and components for our products.

Our management of the impact of COVID-19 has and will continue to require significant investment of time from our management and employees, as well as resources across our global enterprise. The focus on managing and mitigating the impacts of COVID-19 on our business may cause us to divert or delay the application of our resources toward new initiatives or investments, which may adversely impact our future results of operations. In addition, issues relating to the COVID-19 pandemic may result in legal claims or litigation against us.

We may also experience impacts from market downturns and changes in consumer behavior related to pandemic fears as a result of COVID-19. For example, we have experienced a recent decline in demand in our global businesses as a result of the impact of efforts to contain the spread of COVID-19. In addition, our customers may choose to delay or abandon projects on which we provide

products. We may also experience adverse impacts on demand and sales volumes from industries that are sensitive to economic downturns and volatility in commodity prices. If these adverse impacts continue, our stock price and the operating performances of our businesses could be adversely affected, which could require us to incur material impairment, restructuring or other charges. For example, during the quarters ended June 30 and September 30, 2020, our revenues were impacted significantly and for the quarter ended March 31, 2020, we were required to record impairment charges to goodwill and indefinite-lived intangible assets related to PM Group.

Further, the impact of COVID-19 has caused significant uncertainty and volatility in the credit markets. We rely on the credit markets to provide us with liquidity to operate and grow our businesses beyond the liquidity that our operating cash flows provide. If our access to capital were to become significantly constrained or if costs of capital increased significantly due to the impact of COVID-19, including volatility in the capital markets, or other factors, then our financial condition, results of operations and cash flows could be adversely affected.

Lastly, if the COVID-19 pandemic becomes more pronounced in our global markets, or resurges in markets recovering from the spread of COVID-19, our operations in impacted areas could experience further adverse financial impacts due to market changes and other resulting events and circumstances. The extent to which the COVID-19 outbreak impacts our financial condition will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19, the longevity of COVID-19, the impact of COVID-19 on economic activity, and the actions to contain its impacts on public health and the global economy. The impact of COVID-19 may also exacerbate other risks discussed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2019, any of which could have a material effect on our financial condition, results of operations and cash flows.

#### **The potential insolvency or financial distress of third parties could adversely impact our business and results of operations.**

We are exposed to the risk that various third parties with whom we conduct business will not be able to perform their obligations or continue to place orders due to insolvency or financial distress. The global COVID-19 pandemic has created heightened risk that third parties may be unable to perform their obligations due to suffering financial distress as a result of the pandemic and corresponding measures that have been enacted by governments to contain the spread of the virus. However, we are unable to predict the ultimate impact that COVID-19 will have on any of our customers, suppliers, vendors, and other business partners, and each of their financial conditions or their ability to perform their obligations. If third parties fail to perform their obligations under arrangements with us, we may be forced to replace the underlying commitment at current or above market prices or on other terms that are less favorable to us. In such events, we may incur losses, or our results of operations, financial condition or liquidity could otherwise be adversely affected.

#### **Item 2—Unregistered Sales of Equity Securities and Use of Proceeds.**

The Company's credit agreement with CIBC directly restricts the Company's ability to declare or pay dividends without CIBC's consent. In addition, pursuant to the Company's credit agreement with CIBC and other lenders, the Company must maintain as specified in the agreements certain fixed coverage ratios and debt to EBITDA ratios.

## ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1—July 31, 2020	—	\$ —	—	—
August 1—August 31, 2020	232	4.30	—	—
September 1—September 30, 2020	—	—	—	—
	<u>232</u>	<u>\$ 4.30</u>	<u>—</u>	<u>—</u>

### Item 3—Defaults Upon Senior Securities

None

### Item 4—Mine Safety Disclosures

Not applicable.

### Item 5—Other Information

None.

### Item 6—Exhibits

See the Exhibit Index set forth below for a list of exhibits included with this Quarterly Report on Form 10-Q.

## EXHIBIT INDEX

Exhibit Number	Exhibit Description
10.1	Employment Agreement, effective as of October 20, 2020, between Manitex International, Inc. and Joseph Doolan <i>(Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on October 5, 2020).</i>
31.1*	<u>Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1**	<u>Certification by the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	Inline XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File-The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

\* Filed herewith

\*\* Furnished herewith

**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.

November 5, 2020

By: \_\_\_\_\_ /s/ STEVE FILIPOV  
**Steve Filipov**  
**Chief Executive Officer and Director**  
**(Principal Executive Officer)**

November 5, 2020

By: \_\_\_\_\_ /s/ JOSEPH DOOLAN  
**Joseph Doolan**  
**Chief Financial Officer**  
**(Principal Financial and Accounting Officer)**



## CERTIFICATIONS

I, Joseph Doolan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Manitex International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2020

By: \_\_\_\_\_ /s/ Joseph Doolan  
Name: **Joseph Doolan**  
Title: **Chief Financial Officer**  
**(Principal Financial and Accounting Officer of Manitex International, Inc.)**

**CERTIFICATION PURSUANT TO 18 U.S.C. 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

Solely for the purpose of complying with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer and Chief Financial Officer of Manitex International, Inc. (the "Company"), hereby certify that, to the best of our knowledge, the Quarterly Report of the Company on Form 10-Q for the quarter ended September 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: \_\_\_\_\_ /s/ Steve Filipov  
Name: Steve Filipov  
Title: **Chief Executive Officer and Director  
(Principal Executive Officer of Manitex  
International, Inc.)**

Dated: November 5, 2020

By: \_\_\_\_\_ /s/ Joseph Doolan  
Name: Joseph Doolan  
Title: **Chief Financial Officer  
(Principal Financial and Accounting  
Officer of Manitex International, Inc.)**

Dated: November 5, 2020