Operator: Greetings, welcome to the Columbus McKinnon Corporation Fourth Quarter and Full Fiscal Year 2019 Financial Results. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] Please note this conference is being recorded.

I'll now turn the conference over to Deborah Pawlowski, Investor Relations for Columbus McKinnon. Ms. Pawlowski, you may now begin.

Deborah Pawlowski: Thanks, Rob, and good morning, everyone. We appreciate your time today and your interest in Columbus McKinnon. On the call with me today are Mark Morelli, our President and CEO; and Greg Rustowicz, our Chief Financial Officer. You should have a copy of our fourth quarter fiscal 2019 financial results, which were released after the market yesterday. And if not, you can access the release and slides that will accompany our conversation today at our website, cmworks.com.

If you'll turn the slide 2 on the deck, I will first review the Safe Harbor statement. As you are aware, we may make some forward-looking statements during the formal discussions, as well as during the Q&A session. These statements apply to future events that are subject to risks and uncertainties, as well as other factors that could cause actual results to differ materially from what is stated here today. These risks and uncertainties and other factors are provided in the earnings release, as well as with other documents filed with Securities and Exchange Commission. These documents can be found on our website or at sec.gov.

During today's call, we will also discuss some non-GAAP financial measures. We believe these will be useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. We have provided reconciliations of non-GAAP measures with comparable GAAP measures in the tables that accompany today's release and the slides for your information.

With that, if you would turn to slide 3, I will turn it over to Mark to begin. Mark?

Mark Morelli: Thanks, Deb and good morning, everyone. We delivered another strong quarter, which was a great finish to an excellent fiscal year. Our Blueprint for Growth strategy has demonstrated solid traction and is driving greater earnings power for the company. Diluted earnings per share was $0.83 in the quarter and $1.80 for the year. Adjusted EPS which is a more relevant comparison was up an impressive 35% in the quarter and 36% in the year.

The growth in earnings was driven by continued margin expansion. We had a record gross margin for the year of 34.8%. We surpassed our original EBITDA margin goal with 140 basis point improvement to 15.1%. Our return on invested capital improved notably as well, up 250 basis points to 11.2% as a result of our strong earnings and thoughtful capital deployment. Supporting our financial improvement with solid top-line growth of 7% in the quarter and 6% for the year, adjusted for divestitures and FX.

We expanded margins, drove stronger earnings and generated quite a bit of cash because we simplified our business and improved productivity. We generated nearly $80 million in cash from operations in fiscal 2019. This enabled us to pay down another $65 million in debt and reduced our net leverage ratio to 1.7 times which is better than our target rate of 2 times.

As an organization, we've made great progress since implementing the Blueprint for Growth strategy two years ago. The impressive improvements of this past year were on top of the strong performance of the first year for the strategy. Combined over the two years, adjusted operating margin has improved 400 basis points, adjusted net income has more than doubled and return on invested capital improved 480 basis points.

The team has pulled together and is executing the strategy. Given our progress and runway of opportunities ahead, we were excited about the path that we were on.

If you turn to slide 4, I'll discuss the progress we made during fiscal 2019. We launched Phase II of our Blueprint for Growth strategy. There are three areas of focus in Phase II. They are: simplify the business, Operational Excellence, and Ramp the Growth Engine. Let me update you on the progress in each of these areas. You heard me talk about our business operating system E-PAS which stands for Earnings Power Acceleration System. This is our toolkit for execution and at the center is our 80/20 Process. This process is the key enabler for simplification, contributing $8.5 million to operating income in fiscal 2019, ahead of our target of $7 million.

Some of this contribution has come from simplification of our product lines. But we also gain from our sharpened focus on our customers as well. In fact, during the year, we had significant growth from several of our leading customers as we work to create raving fans. The simplification process also identified the three businesses that we divested during the year. We shed these non-core businesses because they did not fit our company profile in terms of products, market position and earnings power potential.

The second area of focus is Operational Excellence. We achieved record productivity of $8.5 million in savings. This was a year of significant change. We brought in a new Head of Operations and built out the operations team. The team is demonstrating significant progress reducing overhead costs and improving material productivity. We consolidated two Ohio facilities into one, which will contribute $2 million in savings in fiscal 2020. Total costs for the project came in better than planned at about $1.5 million. Combined with the divestitures, we have eliminated 200,000 square feet and reduced the number of facilities from 22 to 18 today.

The third element of Phase II is to Ramp the Growth Engine. I am pleased to report that our early efforts are making an impact. We hired our Head of Product Development last year and we're building out the development team. While R&D expenses were unchanged, we achieved measurable progress by focusing our resources on the most important projects and putting in place appropriate processes and discipline.

In fact, our new wire rope hoist platform YK/SK is getting strong reviews from customers. We are launching our family of variable speed product lines and we focus on reducing quote time to customers resulting in market share gains for engineered-to-order products. We also made significant improvements to our digital platform. We launched a significant upgrade and added products to our configurator software, Compass, making it easier for customers to select and purchase our products.

With that, let me turn it to Greg to cover our financial results. Greg?

Gregory Rustowicz: Thank you, Mark. Good morning, everyone.

On slide 5, net sales in the fourth quarter were $216.7 million. While sales were nominally higher by 1.2% compared to the prior year, fundamental growth in the business was actually much stronger than that. As you know, we completed three divestitures in the quarter which accounted for a reduction to sales of $5.9 million. Foreign currency continues to be a headwind which also reduced our sales by $6.7 million compared to the prior year. Adjusting for these two items, net sales were up over $15 million from the prior year. This represents organic growth of 7.3%.

This was better than the outlook provided last quarter of 4% to 5% sales growth, excluding adjustments due to foreign currency translation and divestitures. We had strong performance even as we are shedding unprofitable sales as part of our 80/20 Process.

Sales volume was up 5.5% and pricing was higher than the previous year by 180 basis points. Year-over-year pricing improved about 50 basis points from Q3 levels due to the impact of our annual price increases as well as our 80/20 pricing initiatives.

As you know, we typically raised prices for the majority of our businesses in fiscal Q4. While the markets are competitive, we have demonstrated our ability to capture pricing annually. Foreign currency translation remained a headwind in the quarter of approximately 3% and we expect the headwind to remain in fiscal 2020's first quarter.

At today's foreign exchange rates, the headwind will be in the range of 2% to 3%. We saw solid growth in the quarter, particularly in the U.S. where sales increased 7.8%. Adjusted for divestitures, U.S. sales were up $11.3 million or 10.4%. Sales outside of the U.S. were down $6.1 million or 6%. But this is the result of the divestitures and FX.

Adjusting for the effects of the divestitures and foreign currency translation, we saw organic growth of 4% outside the U.S. We think that organic growth of 7% in the quarter was very strong performance and reflects the progress we continue to make with customer responsiveness and ramping the growth engine. We believe we are growing share in key markets and executing well.

On slide 6, we recorded gross margin of 35.1% in the quarter. This is a 20 basis point expansion in gross margin from a year ago and is our eighth consecutive quarter of year-over-year margin expansion. As Mark mentioned earlier, the 80/20 Process was accretive to gross margins as was the productivity we recorded in the quarter. We feel that Phase II of our strategy still has a lot of runway to further improve gross margins going forward.

Let's now review the quarter's gross profit bridge. Fourth quarter gross profit of $74.7 million increased by $1.3 million compared to the prior year. The three divestitures negatively impacted gross profit by $1.2 million. The three largest contributors to gross profit expansion were higher sales volume, pricing net of material cost inflation and productivity. Sales volume and mix contributed $4.1 million of gross profit while pricing net of material cost inflation contributed $2.1 million and productivity contributed $1.2 million.

For the full year, we achieved record productivity levels of $8.5 million as our operations team improves our manufacturing cost structure. The impact of higher pricing continues to offset raw material inflation and tariffs. Tariffs had a negative impact of $900,000 in the fourth quarter. In fiscal 2020, with the current 25% tariff schedule and no mitigation efforts, tariffs will have about a $3 million negative impact on gross profit. We are actively working to mitigate this headwind.

I will also point out that we incurred $1.3 million of cost in the quarter for the Ohio plant consolidation. This project is now complete and we expect to benefit by approximately $2 million in overhead cost savings in fiscal 2020. Finally, foreign currency translation reduced gross profit by $2.4 million in the quarter.

As shown on slide 7, RSG&A costs were $49 million in the quarter or 22.6% of sales. This is an improvement of 300 basis points from the previous year. As a reminder, the prior year fourth quarter included pro forma costs totaling $4.9 million and the divestitures reduced RSG&A by $700,000. In addition, FX was a benefit in the current year of approximately $1.4 million. Selling costs decreased by 13.2% due to the divestitures, cutbacks, and some structural cost changes we made to reduce cost.

G&A costs decreased by 8.1% due to the divestitures, FX and $4.5 million of pro forma costs that occurred in the prior year. These included STAHL acquisition costs, debt repricing costs, which lowered our spread on our Term Loan B by 50 basis points and a net reduction in insurance recovery litigation costs compared to the prior year.

R&D costs declined 8.8% or $300,000 largely due to the divestitures and FX. We have redeployed resources around our most meaningful projects and expect to increase R&D expenditures in fiscal 2020. Our first quarter forecasted RSG&A is lower than Q4 levels as a result of the divestitures and is expected to be in a range of $47 million to $48 million.

Turning to slide 8, adjusted income from operations grew 24% to $24.9 million or 11.5% of sales, a 210 basis point improvement over the prior year. Our adjusted operating leverage in the quarter was 186%, which reflects our ability to execute on our strategy to drive earnings power. For the full year, adjusted income from operations was just under $100 million, which represents a 26.8% increase versus fiscal 2018.

As you can see on slide 9, GAAP earnings per diluted share for the quarter were $0.83. Adjusted earnings per diluted share was $0.69 compared with $0.51 in the previous year, an increase of $0.18 per share or 35%.

Moving on to page 10, GAAP earnings per diluted share for the year was $1.80 per share. Adjusted earnings per diluted share was $2.74 compared to $2.01 which was an increase of 36%. On a GAAP basis, our effective tax rate for the year was 19.5%. This was better than the previous guidance of 27% to 29% due to our ability to utilize certain foreign tax credits, as well as adjustments related to the Tax Cuts and Jobs Act. We expect the full-year tax rate to be approximately 25% in fiscal 2020.

On slide 11, we continue to expand our adjusted EBITDA margin. For the year, our adjusted EBITDA margin was 15.1% an increase of 140 basis points over last year. We also continue to make progress in driving our ROIC higher and are now at 11.2%. As a reminder, our Blueprint for Growth strategy goal is to achieve a 19% adjusted EBITDA margin in fiscal 2022 and achieve an adjusted ROIC in the mid-teens.

Turning the slide 12, our working capital as a percent of sales was 17.2% an improvement of 70 basis points over the trailing quarter. We improved our days payable outstanding by six days from the trailing quarter. We think there is an opportunity to further improve DPO performance as well as inventory turns going forward, which will further improve our working capital utilization.

On slide 13, net cash from operating activities for the year was $79.5 million, which was higher than the prior year by $9.8 million. For the year, we generated $67 million of operating free cash flow. Our free cash flow conversion rate of 104% is quite strong. Our guidance for capital expenditures for fiscal 2020 is expected to be approximately $20 million for the year.

Turning to slide 14. Our total debt was approximately $300 million and our net debt was approximately $229 million at the end of this fiscal year. Our net debt to net total capitalization is now below 35%. We repaid $15 million of debt in the fourth quarter and have reduced our term loan debt by nearly $135 million since acquiring STAHL. We made excellent progress de-levering and achieved a net debt to adjusted EBITDA ratio of 1.7 times, which is below our targeted net leverage ratio of 2 times.

From a capital allocation perspective, our plan is to use our free cash flow to continue to de-lever our balance sheet. We expect to repay an additional $65 million in fiscal 2020.

Please turn to slide 15 and I will turn it back over to Mark.

Mark Morelli: Thanks, Greg. Let me wrap up by giving you some color around our markets. The heavy process industries specifically steel are going very strong for us. Our Magnetek brand is heavily involved in the digitizing and automation of processes and facilities that are being upgraded and expanded. The power markets provide a solid base of work and our utility end users and channel partners are pointing to a positive outlook for fiscal 2020.

We are also seeing activity in alternative energy markets such as hydropower and waste energy projects. Oil and gas remains strong with a pipeline of projects in the midstream and downstream markets. We're also seeing encouraging activity developing offshore and the continued low cost of natural gas is supporting a couple of very large petrochemical projects that are in our line of sight.

I recently visited customers in the Middle East and despite the geopolitical turmoil, the pipeline of opportunities is encouraging. We see the petrochemical industry investing significant capital for expansion there. While automotive sales may be down, the OEMs are looking beyond this cycle to the next and there's activity building for investments in both capacity expansion and new models being proposed.

Entertainment remains strong globally. We are creating new solutions and addressing customers' interests with capabilities and value we offer. Both the rental channel and theater solutions industry have opportunities for our products. Geographically, the U.S. is strong and Europe continues to moderate. Orders leveled off due to project timing and last year fourth quarter is a challenging comparison. Orders and backlog adjusted for the divestitures and FX were each up 1% year-over-year and orders were up an encouraging 13.4% sequentially.

As we look forward to the first quarter of fiscal 2020, we anticipate that sales will be about $214 million to $216 million which is an increase of 3% when adjusted for an anticipated 2% to 3% headwind from FX and the $11.1 million impact of revenue related to the divestitures. While tariffs will have an estimated $800,000 impact in the quarter and approximately $3 million for the full year, we expect to offset this with our 80/20 Process implementation and Operational Excellence initiatives.

For fiscal 2020, we are doubling down on Phase II of our Blueprint for Growth strategy. We are getting significant traction and we have a long runway of opportunities to further improve our business model and drive earnings power. We are deploying the 80/20 Process deeper and more broadly through the organization this year and believe there is an approximately $10 million incremental operating income improvement.

I would like to take this opportunity to thank the Columbus McKinnon associates around the world. Fiscal 2019 was an outstanding year, even better than fiscal 2018. We are excited about the path we're on and is delivering significant value.

With that, Rob, please open the call for questions.

Operator: Thank you. [Operator Instructions] Our first question is coming from the line of Jon Tanwanteng with CJS Securities. Please proceed with your questions.

Jon Tanwanteng: Good morning, gentlemen. Nice quarter and thank you for taking my questions.

Mark Morelli: Thank you.

Jon Tanwanteng: Greg, first can you talk about what's going on to the higher tax rate for next year?

Greg Rustowicz: This year, we ended up with about a 20% tax rate which was below our guidance of approximately 22%. We were able to utilize foreign tax credits this year which lowered our rate. The 25% rate is going to be a more normal tax rate for us and it could be lower if once again we're able to utilize some of our foreign tax credits. It depends on where the earnings are and there are some very complex calculations that go into it. But we think that 25% is probably the top end of the tax rate range for the coming year.

Jon Tanwanteng: Okay. Great. Thank you. And then just on the $10 million of operating income improvement that you're expecting for 2020, is that a run rate for the year, or is that an absolute improvement? If it's the absolute improvement, should we expect that the run rate exiting Q4 is actually higher than $10 million?

Greg Rustowicz: You're talking about the 80/20 Process?

Jon Tanwanteng: Yes.

Greg Rustowicz: The $10 million is incremental on top of what we did this year.

Jon Tanwanteng: So, like-for-like $8.5 million to $10 million, is what you're saying?

Greg Rustowicz: Yes.

Jon Tanwanteng: Okay.

Greg Rustowicz: We achieved $8.5 million this fiscal year and we expect that to remain and then an additional $10 million to hit operating income. We're seeing really good progress with our 80/20 Process. All of our business units are now utilizing the tool and it's really starting to get embedded into our culture.

Jon Tanwanteng: Okay. Great. And do you have offhand the amount that the divested businesses contributed in operating income last year?

Greg Rustowicz: We actually have a slide in the appendix. Page 18. In fiscal 2019, we break it up by quarter Jon. They had $34 million of revenue and about $3.7 million of operating income.

Jon Tanwanteng: Okay. Perfect. Thank you. And then finally, Mark, you went through some of the trends in the end markets that you saw. Are there any areas of surprising weakness or slowdown that you're seeing that would indicate something worse ahead or is it business as usual? What are the negative things that we should watch out for you?

Mark Morelli: Well, Jon, we see markets a bit choppy compared with this time last year where pretty much across the board it was very strong. So we do see some pockets of weakness. General industrial seems to be hesitating a bit. We see through the MRO channel some folks may be more hesitant than they were last year. Our quick cycle business is certainly not as strong as it was. In contrast to that, we have a project business that is still very strong and very robust. I think compared with last year, we have to pick our spots more carefully and have more focus on those areas for growth. We still think it's a very good environment for our Blueprint strategy. We think a slow growth environment is really very appropriate for our strategy and we look forward to having a good year.

Jon Tanwanteng: Okay. Great. Maybe from a little bit of a higher level. Do you see any increased or decreased risk to the targets that you've set for yourself in the next two years?

Mark Morelli: Well, the targets we have in the next two years anticipate a modest growth environment. We certainly don't know what's going to happen in terms of a recession. Our business doesn't predict that well because most of it is short cycle. So, it's really tough for us to say what's going to happen longer term out. Although, we're very confident that our strategy has a ton of momentum. We're on the right path. I think what our fiscal 2019 results are demonstrating there's a ton of benefits that we're picking up. As we get into this next fiscal year, we're very encouraged by both what we see in the market, as well as the traction that we're getting with our management teams. I think our guidance is appropriate for everything that we see right now.

Jon Tanwanteng: Okay great. Thank you, guys.

Operator: The next question is from the line of Greg Palm with Craig-Hallum. Please proceed with your questions.

Danny Eggerichs: Hi, guys. Congrats on the good quarter. This is actually Danny on for Greg today.

Mark Morelli: Thanks, Danny.

Danny Eggerichs: I guess just given your large amount of sales that go through distributors, I'm curious what you're seeing and hearing from the channel in terms of appetite for any additional product? And then I guess is there anything to know in terms of channel inventory levels right now?

Mark Morelli: We have definitely noticed that some folks in the channel are hesitant to sit on a lot of inventory. The reason being is that there's uncertainty out there. I think with the level of uncertainty, people don't want to stock up too high on inventory levels. We noticed that this past quarter where we have executed through our selling activities in North America which typically is our strongest selling activity.

Also, I think we prospected that really well. We were able to open up additional opportunities, particularly in the entertainment industry, that have begun to come through, as well as pockets related to oil & gas and steel. So we're going to areas where we see more growth and we've been able to deploy there successfully.

Clearly, we'll have to keep watching going forward. We don't know if it's due to some of the tariff issues or why people are a little more hesitant than they were last year, but it's something we've been able to navigate pretty successfully so far.

Greg Rustowicz: To add on to that, if you remember a year ago, we just had the Tax Cuts and Jobs Act. Tariffs weren't even being talked about. There was a lot of optimism in the channel. Those two issues are year old now at this point and I think it's more of a return to a cautious outlook.

Danny Eggerichs: Okay. Great. That's really helpful. Then I guess with the higher impact of tariffs, I guess, for this next year, are you guys still comfortable growing that gross margin? And then what does the Blueprint plan assume for gross margin to be able to get to that 19% EBITDA margin target?

Mark Morelli: So, on the first part of that question, we definitely see a little bit more headwind than we did last year and we're pretty confident that the path we're on is delivering a tremendous amount of value. And keep in mind, we're about halfway through our Process implementation of 80/20 across the Company. So, there's areas of the business we can go deeper and also go more broadly because folks are just starting it. We're very confident with

what we're doing with our 80/20 Process as well as our operational initiatives, which is a new team and they're really just getting started. We're going to offset tariffs, in fact.

I think the issue then becomes longer term. And the second part of your question is, how do we prosecute this 19%? We feel confident because there is a long runway of opportunities in this business. And to elaborate on that more, we want to invite you to our Investor Day on June 13 in New York City and we'll have both more on the 80/20 Process as well as on our operational initiatives and talk about margin expansion. I think it will be a really good dialogue, so hopefully you can attend.

Danny Eggerichs: Yeah. Great. Thanks, guys. I really appreciate the color.

Operator: Thank you. The next question is coming from the line of Walter Liptak with Seaport Global. Please proceed with your questions.

Walt Liptak: Hi. Thanks. Good morning, guys and congratulations from me too.

Mark Morelli: Thank you, Walt.

Walt Liptak: Wanted to ask about the $10 million of 80/20 savings for this year. It sounds like some of it is already locked and loaded. You mentioned the two Ohio plants saving $2 million. I wonder if you could kind of separate out a couple of the other buckets of savings and how much you're already through the savings process and you're going to get the gains from it?

Greg Rustowicz: So just to clarify, Walt. We don't count or consider the Ohio footprint consolidation as directly an 80/20 item. But clearly, it's a result of 80/20 as we're able to simplify our product line. We do get that benefit, but that's not being counted in the $10 million marker.

As we ended the fiscal year of 2019, we had about half the company that was already deep into the 80/20 Process.

When you first start the process, it's an analytical process. You have to get people trained, you have to study the data, come up with your game plan and there's multiple facets to it in the three main areas that we're working on, which is our product line simplification, our focus on our customers and then our raving fans initiatives.

So, we do have that carryover effect which is going to be a significant piece of the savings in fiscal 20. Then on top of it, the rest of the company is now starting the 80/20 Process and is in the beginning phases of basically formulating action plans. That usually takes about six months before we actually start to see some meaningful dollars drop to the bottom line. Another contribution is from the existing 80/20 teams coming up with new initiatives, which I think is really important to note.

In sum, you've got carryover effect from what was implemented in the latter half of fiscal 19. You've got new initiatives from the businesses that were already doing 80/20. And then we're going to get another benefit from the businesses that are just now really rolling with the 80/20 Process. So we feel pretty confident that the $10 million is a very achievable number.

Walt Liptak: Okay. Fair enough. And with the $2 million saving from the plan, total savings sounds like it's going to be $12 million related to kind of improvement. Is that fair?

Greg Rustowicz: Yes. So once again, we're trying to drive double digit operating income improvement year-over-year. And those are certainly a couple of the good guys there. But you've got to remember, we also have some incremental impact from tariffs, labor,

transportation, material costs and others. The normal inflation in the business. We've got to offset as well.

Walt Liptak: Okay. Great. I want to ask about that too. With the tariffs that you called out of $3 million and then the pricing that went into effect in the fourth quarter, have you covered that tariff costs in pricing?

Greg Rustowicz: More than covered it. We had 1.8% price in Q4 and we'll see a little bit more of that as not all of the pricing has taken effect yet. That will marginally go up a little bit. But we more than cover our raw material inflation and tariffs. In our gross margin bridge, our pricing net of material cost inflation in the quarter was $2.1 million and the tariffs were $900,000, so, we're still well over $1 million to the good.

Walt Liptak: Okay. That sounds great.

Greg Rustowicz: And I would mention as well that in certain commodities, we are seeing prices drop a little bit. We're working with our sourcing team to take advantage and lower our overall cost there as well.

Walt Liptak: Okay, great. And then if I could just ask one on the commentary on the different sectors. You called out the steel sector and some new products related to Magnetek's technology and I think you especially called out the EU which I think has been a little bit slower now for steel production with a couple of cuts. And I'm interested in kind of the productivity savings that they're getting from your technology and the project base business because that seems like an area of weakness that you're turning into potential growth for 2020.

Mark Morelli: Thanks for that question, Walt. We're very happy in this new direction for the company because we're taking advantage of opportunities with our customers to enhance productivity and safety and we really try to focus on solving high-value problems for our customers.

If you can go in there and help them on productivity and safety initiatives, then we think this is actually a new direction and an area for growth. And those of you that have been following Columbus McKinnon for a long period of time, this might be a bit of a new rhetoric that you're hearing because Magnetek is a brand and a product line combined with our STAHL business and really we are more able to exploit this opportunity.

And we are deepening our reach into customers. Our ability to have engineers that understand code in terms of software as well as understand the applications is a lot more relevant than it's been in the past. And I think this has been an outstanding area for us to continue to focus on. It's great for our customers and it's great for our business. You also mentioned a little bit softening in the EU. We see this as a global opportunity. It's not just in the United States. We see a lot of opportunities in the Middle East. We see some in Asia Pacific as well, particularly outside of China and in Southeast Asia. There are still great opportunities as well in the U.S. market.

Walt Liptak: Okay. Great. Okay. Good luck for the year, guys.

Mark Morelli: Thank you.

Operator: [Operator Instructions] The next question comes from the line of Joe Mondillo with Sidoti & Company. Please proceed with your question.

Joe Mondillo: Hi. Good morning, guys.

Mark Morelli: Morning, Joe.

Joe Mondillo: Just want to touch on one of the prior – the most recent questions regarding tariffs. Greg, I just wanted to clarify because it sounded like initially you sort of said that the $12 million of savings may be offset by tariffs, but then it's sounded like you're also saying that price increases will fully offset the tariff effects. So, how do we think about the $12 million of savings and any other negative offsets to that tariffs or anything else included.

Greg Rustowicz: The $12 million is what we expect in those two initiatives to add to the bottom line, $10 million with 80/20 and the plant consolidation. We expect $2 million of savings to hit this fiscal year. So, in terms of tariffs themselves, I was only pointing out that incrementally with the change in rate going up to 25%, we are going to have about another $1.3 million of tariffs that we're going to have cover. But you're right, Joe, our pricing is more than offsetting the cost of inflation as well as the cost of tariffs.

Joe Mondillo: Okay. Thanks. And then I wanted to ask on – the question or the topic on R&D, SG&A sort of cost hasn't been really addressed. Just wondering you gave some guidance for the first quarter, I'm just wondering how we should think about that throughout the year? I know R&D reinvesting some has been a topic and you've talked about that in the past. Should we anticipate that 47 to 48 million, for whatever reason at all, to ramp up a little bit or how do I think about R&D and will that offset any of the 80/20 savings at all?

Mark Morelli: I think we've gotten some really good traction from our new product development efforts while keeping R&D flat. And the reason why we've been able to do that is that we've really redeployed resources from de minimis areas, de minimis projects, into areas where we can really get some focus and traction.

We've also had a lot of discipline in the process. Now that the team is beginning to see these results that we will slowly begin to add back some R&D as we get traction. But, Joe, it's only as we get the traction. So as we kind of go, we'll feed a little bit more into it at a time.

I think what we're giving right now is good sort of near-term guidance. And as we go through the year, we'll give you more color with where we think we are. We think there's excellent returns. And as we demonstrate excellent returns then we're going to add some more spending back. But we're not just going to open the valve here, spend a lot of money and not get the traction out of it. And I think this disciplined approach is very responsible. Also on June 13 at our Investor Day, you can meet our Head of New Product Development and we can also walk through this more.

Joe Mondillo: Okay. Great. And then last question for me. I'm just wondering Mark how you're thinking about just sort of the operational footprint. You mentioned earlier in your prepared remarks going down with the divestitures and Ohio plant closing, you're now down to 18 plants. How do you think about the square footage, especially given sort of where demand trends are? Just in general, how are you thinking about that because I know that has been sort of a longer-term thought process, - trying to figure out what the ideal situation will be?

Mark Morelli: Yes. We've done a lot of work this past year thinking through strategically how do we want to think through our operating footprint. We believe there's a lot of opportunities to really improve our dollars per square foot when you look across Columbus McKinnon.

And one of the areas not really available to us prior to the last couple of years is that our thinking around 80/20 is really freeing dimensions that we didn't really consider historically. And I think it's less sort of the macro environment. It's more how we operate inside of Columbus McKinnon. We've been very complicated. But as an example, when we did this platforming around the YK/SK new wire rope hoist platform, it really freed up the dimension for Ohio. And I

think as we continue to think this through, you'll see there's a lot of opportunities for also to free up and improve our dollars per square foot. We're excited about the approach because it's adding a lot of value. And we think there's a good amount of runway here as well.

Once again you'll meet our Head of Operations in our June 13 meeting and we can kind of give you more color of how we think through our footprint strategically and how we want to prosecute this opportunity going forward.

Joe Mondillo: Okay, great. Thanks. Thanks for taking my questions and good luck.

Mark Morelli: Thank you.

Operator: Thank you. We have reached the end of the question-and-answer session. I'll now turn the call over to Mark Morelli for closing remarks.

Mark Morelli: Great. Thank you, Rob. We are transforming Columbus McKinnon into a high-performance industrial technology company. To learn more, I invite you to participate in our Investor Day on June 13 in New York City. Thank you and have a good day.

Operator: This concludes this conference. You may disconnect your lines at this time. Thank you for your participation.