Operator: Greetings, and welcome to the Columbus McKinnon Corporation Second Quarter Fiscal Year 2021 Financial Results Conference Call. [Operator Instructions] As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Deborah Pawlowski, Investor Relations. Please go ahead.

Deborah Pawlowski: Thanks, Darryl, and good morning, everyone. We certainly appreciate your time today and your interest in Columbus McKinnon. Here with me are David Wilson, our President and CEO and Greg Rustowicz, our Chief Financial Officer.

You should have a copy of the second quarter fiscal 2021 financial results, which we released this morning before the market. If not, you can access the release as well as the slides that will accompany our conversation today at our website, www.columbusmckinnon.com.

After our formal presentation, we will be opening the line for Q&A. We kindly ask that you ask only one question with a follow-up question, and then please get back in the queue to allow for continuous flow and adequate time.

If you'll turn to **Slide 2** in the deck, I will first review the safe harbor statement. You should be aware that 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 the 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 additional information in isolation or as a substitute for results prepared in accordance with GAAP. We have provided reconciliation of non-GAAP measures with comparable GAAP measures in the tables that accompany today's release and the slides for your information.

So with that, if you will turn to **Slide 3**, I will turn it over to David to begin. David?

David Wilson: Thanks, Deb, and good morning everyone.

We built momentum on many fronts in the quarter. Sales came in at about $158 million, which was at the upper end of our expected range. Sequentially, we had strong adjusted gross margin of 34.4%, which expanded 60 basis points and adjusted operating margin of 8.9% which expanded 530 basis points. While the non-cash pension settlement charge of approximately $16 million impacted our GAAP earnings, on an adjusted basis we had earnings per share of 34 cents.

Most notably, we had free cash flow of $36 million in the quarter and we have reduced our net debt leverage ratio below 1 times trailing 12-month adjusted EBITDA. Importantly, we ended the quarter with substantial liquidity of approximately $245 million dollars. We believe that our ability to deliver these improved results was driven by our improving organizational agility and performance-focused culture. We are making excellent progress identifying areas in which we

can strengthen our business system and we are developing plans that will evolve our strategy to the next level.

On **Slide 4** you can see the results of the quarter compared with the trailing first quarter of fiscal 2021. Sales grew 13.5% sequentially driven by a recovery in our short cycle business, which was up 22%. As you will likely recall, our short cycle business, which comprises about 50% of our total revenue, was severely impacted in our first quarter as governments globally responded to contain the COVID-19 virus.

Our project business saw sales increase 5.5% sequentially. This growth rate was dampened by the timing related to project acceptance in our Rail business due to travel restrictions. Also, you will remember that, from a comparative perspective, project activity was not as heavily impacted in the first quarter of this year as our short cycle business was.

We had very strong adjusted operating leverage of 48% sequentially on higher sales volume and our 80/20 tools continue to create value for CMCO, contributing $1.3 million of operating income in the period.

Adjusted EBITDA margin expanded by 470 basis points sequentially. Achieving 13.4% adjusted EBITDA margin on this level of sales reflects the decisive actions we took to reduce our cost structure during these unprecedented times and validates the strengthening Columbus McKinnon Business System.

With that, let me turn it over to Greg.

Greg Rustowicz: Thank you, David, and good morning, everyone.

On **Slide 5**, net sales in the second quarter were $157.8 million dollars, down 24% from a year ago. As David noted, this sales level was at the upper end of our prior guidance for second quarter fiscal 2021 revenue of approximately $150 million to $160 million. Demand was impacted by the COVID-19 induced recession and sales volume declined measurably compared with the previous year. Looking at our sales bridge, sales volume was impacted by approximately $54 million, or 26.2%. While volume was down, we did realize positive pricing as we saw year-over-year pricing improve by 1.1% as a result of price increases instituted earlier in the year, about 40% of which was 80/20 related. Foreign currency became a tailwind and increased sales by 1.1%, or $2.2 million.

Let me provide a little color on sales by region. For the second quarter, we saw sales volume decline in the U.S. by 26.4%. This was partially offset by price increases of 1.1%. Outside of the U.S., sales volume was down 25.8% which was partially offset by price increases of 1.2% and favorable foreign currency translation of 2.3%. By region, sales volume was down 28% in Canada, 31% in Latin America, 28% in APAC, and 24% in EMEA.

On **Slide 6**, given market conditions, our gross margin was a notable 35.5% in the quarter. On an adjusted basis, eliminating the effects of a gain on the sale of a building in China and factory closure costs, we achieved an adjusted gross margin for the quarter of 34.4%. We believe that this is a significant gross margin level when compared with the prior year, given the 24% reduction in revenue we experienced. We have clearly improved our mix of businesses and have benefitted from our 80/20 process and operational excellence initiatives. The 80/20 process contributed approximately $3.4 million of incremental year-over-year gross profit

expansion in the quarter through strategic pricing, indirect overhead reductions and factory closures.

Let's now review the quarter's gross profit bridge. Second quarter gross profit of $56 million was down $17.5 million compared with the prior year. This was driven by a $19.4 million reduction in gross profit due to lower sales volumes. We did see gross profit expansion from pricing as previously mentioned and we experienced no material cost inflation in the quarter. Included in gross profit is a $2.2 million gain on the sale of a building in China. Foreign currency translation increased gross profit by $800 thousand. Tariffs were lower than the prior year as we imported less Chinese product. We incurred $300 thousand of incremental one-time costs for factory closures. Productivity net of other cost changes was negative $3.8 million, largely due to unabsorbed fixed costs in our factories.

As shown on **Slide 7**, RSG&A costs were $37 million in the quarter or 23.5% of sales. RSG&A costs were $8 million lower than the previous year. The reduction in RSG&A was due to several factors. We lowered our RSG&A costs by $7.2 million as a result of cost savings measures including lower headcount, limited travel and no incentive compensation bonus accruals. We also recorded $900 thousand less bad debt expense this quarter compared with a year ago, when we had a large customer go bankrupt in Europe. FX translation added approximately $500 thousand to our RSG&A costs.

With the current COVID-19 pandemic, we took quick and decisive actions to reduce our RSG&A costs as evidenced again this quarter. With demand improving, we will be increasing our RSG&A level in the second half of the year due to second half incentive compensation accruals, growth investments in R&D and our digital experience, and the costs related to returning to work including bringing back certain employees from short work weeks in Europe, and additional travel. Taking all of this into account, including the structural cost changes implemented in the first half of the fiscal year, we are estimating Q3 FY21 RSG&A costs of approximately $43 million dollars.

Turning to **Slide 8**, adjusted operating income was $14.0 million. Adjusted operating margin was 8.9% of sales, a 380-basis point decline from the prior year. The driver of this decline was the impact that COVID-19 had on our sales volume. Decremental adjusted operating leverage in the quarter was 25%, which is significantly better than what we saw during the Great Recession of 2009 when we experienced decremental operating leverage of 38%. Our Blueprint for Growth strategy and specifically our 80/20 tools and operational excellence initiatives have improved our business model and better enable us to execute at higher levels of performance in all economic scenarios.

As you can see on **Slide 9**, we recorded a GAAP loss per diluted share for the quarter of $(0.17) cents. This was the result of a $16.3 million pension settlement expense related to the termination of one of our U.S. pension plans which we spoke about on last quarter's call. GAAP EPS was also impacted by the gain on the sale of the factory in China of $2.6 million as well as factory closure costs and insurance recovery legal costs that together totaled $800 thousand. Adjusted earnings per diluted share were $0.34 cents compared with $0.74 cents in the previous year, a decrease of $0.40 cents per share.

We expect FY21's full year tax rate to be approximately 10% to 12% which is lower than the previous guidance primarily due to the pension settlement expense related to the termination of one of our U.S. pension plans which created a pre- tax loss in the U.S.

On **Slide 10**, our Adjusted EBITDA margin on a trailing twelve-month basis declined to 13.3% as a result of COVID-19. Our Return on Invested Capital also declined to 7.1%. We are continuing to target 19% EBITDA margins and ROIC in the mid-teens, but the timing for the achievement of these objectives has been negatively impacted by COVID-19.

Moving to **Slide 11**, we generated $35.7 million of free cash flow this quarter and $44.2 million year to date. We took rapid actions to preserve and generate cash, and utilized our business system to focus on working capital reductions. Our working capital as a percent of sales improved to 14.1% which was a significant contributor to our free cash flow improvement. We achieved our first half inventory targets and over-delivered on our days sales outstanding or DSO performance. CapEx spend will ramp in the second half of the year as we have several projects underway to improve productivity in our factories. We expect CapEx of approximately $14 to $15 million for the full year.

Turning to **Slide 12**, our total debt at the end of the quarter was approximately $275 million dollars and our net debt was approximately $89 million. Our net debt to net total capitalization is now approximately 16%. We repaid the minimum required principal payments on our term loan in Q2 of $1.1 million and plan to pay this same amount quarterly for the remainder of FY21. We have made excellent progress de-levering and have achieved a net debt to Adjusted EBITDA leverage ratio of less than 1.0 times, which provides us sufficient financial flexibility to weather the current pandemic.

We have a flexible capital structure which is "covenant-lite". This means our financial covenant is only tested if we have outstanding borrowings against our Revolver. After quarter end, we re-paid the $25 million of outstanding borrowings on our revolver that we initially drew in April, so the covenant won't be tested at December 31st assuming no borrowings are outstanding. We also extended the maturity date of our Revolver to August of 2023 which gives us a stable capital structure for almost the next three years. Finally, our liquidity, which includes our cash on hand and Revolver availability, remains strong and has increased to approximately $245 million.

Please turn to **Slide 13**, and I will turn it back over to David.

David Wilson: Thanks, Greg. If you would turn to **Slide 13**, you will see our trend in order rates and backlog. Overall, we saw order rates improve approximately 26% compared with the fiscal first quarter. The most significant sequential increase came in July and, thereafter, orders held at about the same level through August and September. Our short-cycle business, which primarily sells through distribution, saw order rates increase throughout the quarter and finished up 41% following the low levels in the trailing first quarter. In our short cycle business, government, which includes defense, as well as utility, chemical processing and infrastructure markets remain active. Entertainment is off its low, but is still very slow.

Our project business, which has a longer sales cycle and a lumpy order pattern, had a strong July and then softened in August and September. While COVID continues to present unknown market risks, channel partners are increasingly more optimistic for improved project activity in

2021. In fact, some delayed projects are coming back to life and are being planned for early 2021. Our recent quote activity reflects this.

We did have a number of encouraging project wins during the quarter. This included an order to supply actuation technology for a customer that is providing material handling systems to Amazon. We also had a win to provide an actuator stabilizing system for a truck manufacturer in Israel.

We had solid bookings in Rail with a total of $5.0 million in orders in the quarter and current quote activity for Rail remains strong.

We are winning in the Defense industry as well with an order to provide the complete control system for shipyard cranes used in the construction of the Columbia Class submarine. Our short cycle business also had a win in Defense with a large order that will ship over the next six to nine months to support the U.S. Coast Guard.

Backlog was up 2% year-over-year and improved 12%, or $16 million sequentially. At about $147 million, total backlog is back to pre-COVID levels. Short-term backlog increased by $8 million ending at approximately $86 million. Long-term backlog increased $8 million as well to approximately $61 million including some project wins that will not ship until FY22.

As you look at **Slide 14**, we had a number of configurator upgrades and product launches in the quarter. Tandem hoists are now available in our Compass configurator closing a competitive gap for Columbus McKinnon. While we have always supplied tandem hoists, the ease of configuration and instant quote generation for tandem hoists in Compass is powerful for our crane builder customers. Tandem Hoists safely lift larger, more complex or lengthy loads. With tandem hoists, our customers can move these loads much more efficiently while protecting both the load and their people. We've improved and simplified the configuration process for this very complex crane system and now provide detailed drawings of tandem hoists and crane components so you can see the product as it is being designed.

We also added the Intelli-Lift Auto Detection capability to our Intelli- series of crane solutions in the quarter. The controls for this product will alert the operator to a misaligned or imbalanced load or a snagged condition. Using sensors and a status control enclosure, the system activates lights and an optional warning horn if a side pull or off-center pick is detected. It can then be corrected manually, or if preferred, can be automatically adjusted with the automated system option.

Finally, we are setting the competition on their heels with the advanced engineering design of our utility lever hoists. This includes the YaleErgo360 used in Europe and the improved Little Mule Hot Stick lever hoist for our U.S. market. These tools have advanced safety features and improved ergonomics. Importantly, the incorporation of the hot stick for the upgraded Little Mule is a feature frequently required by utilities in the U.S. for the safety of the linemen.

Our new product development priorities are focused on improving our customers' experience and helping end users of our products to increase safety in their operations and enhance productivity.

If you'll turn to **Slide 15,** looking forward, we are encouraged with the improved stability in our markets while recognizing that there is still risk associated with increasing infection rates during

the winter months. It's also worth noting that our fiscal third quarter has approximately three fewer shipping days than our second quarter.

Given these factors, we are expecting that sales in the fiscal third quarter will be at a similar level that we had in the second quarter. At the mid-point of the range, this implies about a 3% increase in average sales per shipping day over what we had in the second quarter. Typically, our third quarter declines sequentially versus the second quarter and is our weakest quarter of the year.

From a longer-term perspective, our leadership team invested heavily over the last quarter to evolve our Blueprint for Growth strategy.

This resulted in clarity that we will strengthen and expand our business system with a broader set of core competencies that will establish a stronger foundation and develop a "Columbus McKinnon way" for enabling growth and creating scalability. The strategic framework for CMBS, which you see on this slide, is underpinned by the key principles of being market led, customer centric and operationally excellent with people and values at its center.

Another outcome of our strategic planning process is our emerging Core Growth Framework which defines parallel paths for growth and clear organic and strategic initiatives focused on Strengthening our core, Growing our core, Expanding our core and Reimagining our core.

The foundation of CMBS in combination with our developing Core Growth Framework will enable Columbus McKinnon to realize attractive organic and acquisitive growth.

Given our strong cash generation, we expect to put our capital to work effectively with the advancement of our strategy. We consistently prioritize organic growth while expecting to evolve to a more programmatic acquisition process. We plan to inform you more fully with details on the advancement of our strategy during our fiscal fourth quarter.

As we maneuver through these still unprecedented times, we know that our people are at the core of our success and their health and safety are our priorities. We are excited about our future and expect a stronger Columbus McKinnon to emerge.

Darryl, we can now open the line for questions.

Operator: [Operator Instructions] Our first questions come from the line of Greg Palm with Craig-Hallum.

Greg Palm: Maybe I missed it, but just a little bit more color on the cadence of orders or overall demand activity, maybe what you're seeing in October as well? Any end markets that surprised you to the upside or even downside?

David Wilson: Thanks for the question. We saw order rates improve in the quarter, as highlighted in the prepared remarks. We saw them increase 26%. They were up in July materially and then leveled off in August and September. Obviously, compared with the first quarter, we saw a pretty material increase.

Order rates improved sequentially 41% in our short-cycle business and 12% in our project business. Through Friday, October 23, orders are down 2.3% through those first 17 days compared with the September levels. That's an overall level of 2.3%. Project business is up 1.3%, but our short-cycle business is down about 5%.

Greg Palm: Okay. I was going to try to reconcile the guidance for the December quarter versus the order commentary, the backlog levels in September. Is it maybe more of a function of what you're seeing in October and maybe some assumptions around what happens in the next two months versus sort of what you saw on the backlog levels that you ended with from the September quarter per se?

David Wilson: I think it all ties together. As we exited the quarter, our backlog was up $16 million, but $8 million of that was long term, which means it shifts beyond the quarter, and $8 million of that was short cycle. We entered the quarter up $8 million in backlog, but we have three less shipping days in the period. That, as a percentage, is about 5% less shipping days and that ends up with about the equivalent level of sales impact, if you will, in terms of our ability to turn that around. That, coupled with the rates that we see running through the first few weeks in October, really lead us to a point where we feel like the guide is consistent with what we should expect. However, in reality, if you look at our history, sequentially, from Q2 to Q3, we typically see a decrease in sales. We've seen it over the last several years. It's a cyclicality in the business and what we're saying is that we're really seeing improvements over our legacy performance. We're seeing Q2 to Q3 stability, and we're guiding to a consistent level with Q2. We really have to ship about 3% more per day in the average rates going from Q2 to Q3, given the three less shipping days to be able to achieve the targets that we've given you for Q3.

We feel good about this. We expect the markets to be stable as we continue through Q3, but we feel like with what we entered the quarter with in terms of backlog and how we see things progressing at the moment, we're in a position to deliver a performance that's consistent with our Q2 levels in the $150 million to $160 million range and then execute at those levels, which would be an improvement over prior year trends.

Greg Rustowicz: Greg, as David said, our fiscal third quarter is historically our weakest, but what we feel really good about is we're probably about 55% booked for the quarter. We still have a significant book and bill set of orders that do need to come in during the quarter, but the 55% at the midpoint is actually a pretty good level for us.

Operator: Our next questions come from the line of Jon Tanwanteng of CJS Securities.

Jon Tanwanteng: David, congrats on a first full quarter out of the gate, too. Is there any reason to think gross margins might go down in Q3 at all or should you continue improving them sequentially, given all the initiatives you have going on under the hood?

Greg Rustowicz: Jon, typically, we do see lower gross margins in the third quarter, largely because of less shipping days, and our factories operating less, but also our customers tend to shut down for longer periods of time. Our fixed cost absorption is at its lowest level in the December quarter. Having said that, we've made tremendous improvement in driving gross margin. We've got positive price, which we expect to continue, and with the factory consolidations and the 80/20 Process, we feel good about the gross margin levels that we're currently at. Having said that, we would typically expect a small degradation in gross margins in the third quarter from the Q2 level.

Jon Tanwanteng: You do expect a small degradation from Q2 at this point?

Greg Rustowicz: That would be historically what we would see.

Jon Tanwanteng: Okay. But with the improvements, you may not?

Greg Rustowicz: Given the current situation associated with the COVID-19 pandemic in Europe, fixed cost absorption is still going to be a challenge for us in the fiscal third quarter.

Jon Tanwanteng: Okay. Understood. A similar question on cash flow. You did a great job on the working capital improvements. Do those hold or do you expect to give some back at some point?

Greg Rustowicz: As volume returns, we would expect our working capital needs to go up. We did a fantastic job managing our DSO's or days sales outstanding. We're going to continue to work hard to maintain levels where they are currently.

On the inventory front, as volume improves in the second half of the year, we would expect that we're going to have to make incremental investments in inventory.

Jon Tanwanteng: Understood. Finally, just one quick one, if I could. The OpEx step-up I get in Q3, does that come back down in Q4 as accruals renormalize? Is that the expectation at this point?

Greg Rustowicz: We would expect that our Q4 level is going to be similar to the Q3 level, as people return to work, and we will have the management incentive accrual in for the entire second half as well as the growth investments will continue.

Operator: Our next questions come from the line of Mike Shlisky of Colliers Securities.

Mike Shlisky: I will start off with just a quick follow-up on the last question. Can you quantify for us if you have higher RSG&A this coming quarter here? Can you give any sense as to how much of that increase is going to be from growth investments and how much is from some of the more mundane RSG&A coming back from people coming back to work?

Greg Rustowicz: Sure. In broad strokes, Mike, it's about $2 million for incentive comp. It's a couple million dollars for growth investments, and it's a couple million dollars related to return to work.

Mike Shlisky: Okay. Great. Secondly, I want to get a little more clarity on one of the orders that you had noted in the quarter here, and that was the Amazon-related order. Could you give us a little bit more color or maybe explain that order again? I'm curious, because when you work with Amazon, when you send one item to Amazon, sometimes there's a very large order that comes after that when they say, we need this for another 55, 85 locations around the world. Is there any possibility of getting a large order after this first order from Amazon?

David Wilson: We do feel good about that order. It's being sold through a customer that is providing the solution to Amazon, but we do have visibility into further demand for that solution. We feel like we're in a good position as that demand evolves and it's exciting to be participating in that supply chain to Amazon. It is a noteworthy order for us at a level that gives us confidence that we could do some more and our team is actively working on those opportunities.

Mike Shlisky: Can you maybe explain a little further what it was that was ordered?

David Wilson: These are actuators that we're selling to the partner that are being configured into the solutions for Amazon's warehousing systems.

Mike Shlisky: Okay. So it's being put into Amazon warehouses, not Amazon's customer's warehouses? It's not for sale on Amazon, these are things that the company, Amazon, is using for their own operation?

David Wilson: Correct.

Operator: Our next questions come from the line of Chris Howe with Barrington Research.

Chis Howe: So net debt turns is about 0.97x. This environment seems to change as we turn on the news each day, but can you talk about capital allocation priorities as we move forward through this uncertain environment, understanding that there may be opportunities in the backlog of Phase III? If there were to be something to happen to the downside, those would obviously be pushed out. Does this in any way change your acceleration of the growth engine, providing a time to pause and invest in some of these product development opportunities that you've mentioned in the slide deck?

David Wilson: Thanks, Chris. Let me start and ask Greg to pick up where I leave off. We have a nice framework for capital allocation that we've defined and we're not deviating from. Greg can talk a little bit more about the specifics of that framework, but we expect to maintain a consistent set of priorities as we advance. Clearly, we have liquidity and we have the ability to invest in growth initiatives. We are investing in organic opportunities and we plan to be investing in strategic growth options. We're excited about the position that we're in. We feel like the improvements in operating performance the team has delivered have positioned us to be able to make investments that we'd like to make as we go forward and we have a capital allocation methodology that will allow for that. So we feel good about it, and I'll let Greg comment a little further.

Greg Rustowicz: Chris, what you're also asking is about the fact that our leverage ratio is below our target of 2.0x, sitting at under 1.0x. In a pandemic, that's actually a pretty good place to be relative to the alternative. We do think that we have ample dry powder and lots of flexibility with our capital structure to fund our growth initiatives, whether it's in new product development or whether it's in productivity CapEx. Another part of our capital allocation strategy is returning cash to shareholders. We look at our dividend level every March, and our policy is to have a consistent ever-growing dividend. So, in March, we'll kind of get a sense of where we expect the next fiscal year to end and make any adjustments as required. We're in a really good spot with over $245 million of liquidity and as we look at inorganic growth, we're in, once again, a great position to move forward.

Chis Howe: Great. And one follow-up question. We talked about the trends that we're seeing in October, how that combined with some other factors like the shipping days, leads us conservatively to $150 million to $160 million for the upcoming quarter. But perhaps in line with some of David's initial comments about this quarter relating to 80/20 and also some of the pricing improvements, what sort of opportunities or pockets are in place to exceed your expectations, knowing that gross margins will come down slightly, but just some opportunities that you're working on that could come to fruition or could potentially push into the following quarter?

David Wilson: Thanks, Chris. Good question. As we look out into the quarter, we obviously always have an assessment of risks and opportunities. I would say that we have a healthy backlog. As we mentioned, that backlog is up $16 million. $8 million of that is anticipated to contribute to the quarter in the short-cycle areas. That amount that is above historic levels that is pushed out into the period beyond the quarter is an area we're looking at where there might be opportunities to potentially drive a higher level of execution. So we're looking at that healthy backlog.

Also, if order rates do improve, that could certainly help us to execute at a higher level. We're constantly looking at opportunities to improve the business. The team is very performance-oriented and moving with a level of agility that I think has improved over past levels. We're coordinated and we're looking for opportunities. We've clarified our strategic focus areas as we go forward and the team is really working on making sure that we're executing well in this period to tee us up over the long term.

We're making some investments, as you heard, as it relates to some SG&A spend and we're making sure that we're positioning ourselves to get out and get the growth that we're targeting. We think that opportunities would primarily be volume-oriented.

Operator: [Operator Instructions] Our next questions come from the line of Matt Summerville with D.A. Davidson.

Austin Bender: This is Austin on for Matt. I had a few questions, the first being could you comment or elaborate a bit on trends you're seeing in input costs?

David Wilson: Sorry, we missed the last part, trends in what?

Austin Bender: Input costs.

Greg Rustowicz: Input costs, raw materials.

David Wilson: We've had a pretty good performance in our supply chain, both in terms of delivery and making sure that we're getting the kind of prioritization that we require in this environment from our vendors. We've been able to have relatively stable performance, no material interruptions in supply and we've been able to execute in a way that has driven the supply chain savings that we've been targeting.

Consistent with the operating excellence focus that we have as a Company and the emphasis on supply chain improvements that outpace material inflation in the supply chain, we've been performing at a level that has been achieving our targets. We've seen input costs remain consistent with the way that we've been modeling the business, which has really been to drive and deliver a year-over-year improvement that nets to our bottom line.

In recent times, we were obviously seeing an increased rate of infection in certain parts of the world, but we haven't seen any impacts on our supply chain from that and don't know how that's going to evolve, but at this point, I'd say input costs remain consistent with what we'd be expecting. The trend overall is driving an improvement in those input costs.

Greg Rustowicz: Year-over-year, we have seen zero inflation from a raw material perspective on a net basis, which is in our gross margin bridge.

Austin Bender: Okay, thank you. You talked about 80/20 savings and I was curious if you could provide an update on your SKU rationalization process and how that's playing out. Is there any regional dynamic to that given recent developments in light of COVID, et cetera?

David Wilson: Sure. That's a good question, Austin. This is a big priority for us. It's a part of our strategic deployment process and something we're heavily focused on as an organization. We're in the very early innings of the rationalization and product line simplification initiative. We've highlighted this as an opportunity for the Company and the early work is really around developing the appropriate product line road maps for the product offerings, making sure that we're looking at this through a comprehensive lens of understanding our customers, their needs, our product portfolio, how it meets those needs and the future development opportunities that we're pursuing to rationalize and kind of re-platform products. We've done the early work around the product line road maps, and we're preparing to accelerate those efforts to drive improvement. We see that as a lever for future 80/20 savings and cost improvement as well as an improvement in the product offering that we have to meet our customers' needs. So there is a lot of opportunity there and it is a heavy focus for us.

From a regional perspective, one of our challenges as it relates to the global footprint that we have is our ability to travel, as it's impacted by COVID-19, and getting resources into factories around the world to provide support for the improvements that the teams locally are already driving and bringing those to an accelerated level. The work that we're doing around PLS, product line simplification, is something that is not, I don't think, being materially impacted by that inability to travel at this point. I think we're working in a coordinated way with our teams around the world. We're identifying the appropriate next steps, and we're moving in the early innings of implementing change there. I think that we'll see those benefits over time.

Operator: There are no further questions at this time. I would like to turn the floor back over to David for closing comments.

David Wilson: Great. Thank you, Darryl. Thank you for joining us today. We are pleased with our performance in the quarter, reporting strong sequential improvements in orders, sales, margins and cash resulting in a strengthened financial position and improved liquidity. More importantly, we are gaining momentum as an organization. I hope you are as excited as we are about the future potential of Columbus McKinnon as we execute our plan to drive growth with strengthened earnings power. Have a nice day.

Operator: This does conclude today's conference. You may disconnect your lines at this time. Thank you for your participation, and have a great day.