2019 Investor and Analyst Day Transcript

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Deborah Pawlowski: Good morning and welcome to the Columbus McKinnon Investor Day here in New York City on June 13, 2019. We are happy to have you all join us. I am Deborah Pawlowski, Investor Relations for Columbus McKinnon.

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Before we start our presentations today, I want to make sure you are aware of the fact that we may make some forward-looking statements during this presentation 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 this presentation as well as with other documents filed with the Securities and Exchange Commission. These documents can be found on our website at cmworks.com or at sec.gov.

During this presentation we will also discuss some non-GAAP financial measures which 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 supplemental information section of this presentation.

[Slide 3]
I am pleased to have with us here today the executive committee for Columbus McKinnon. You can see on the slide, we have all of the representatives here. As already mentioned, their biographies can be found in the back of the presentation book.

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So with that, I would like to turn the presentation over to our President and CEO, Mark Morelli.

Driving Change: Blueprint for Growth

Mark Morelli: Thank you, Deb, and good morning, everyone. Pleasure to see you here and thank you for joining on the webcast as well. We are very excited to tell you about our journey here at Columbus McKinnon, our Blueprint for Growth strategy as well as talk to you about our management team. Each of them have a presentation. As you read their bios and as you get to know them, please feel free to ask questions. Last time that I spoke to you at this type of setting was in January 2018, where we kicked off our Blueprint strategy, which at that time was called Blueprint 2021. From this point we have advanced it to Blueprint for Growth, but it is fundamentally the same. The differences that you will hear today are primarily about depth, content, and most significantly some outstanding new traction. We are proving that this is the right strategy, at the right time for Columbus McKinnon with a management team that is executing very well.

When I joined Columbus McKinnon, I came from United Technologies about 16 years ago. Most recently, I was a President and CEO of Brooks Automation. When I got acquainted with the business, I really tried to understand what we are up against, where our opportunities are, and what made us a relevant company for many people. I found that our customers are very connected with what we do. We have some market-leading brands for professional grade products, and these are the tools of the trade by which people get their work done. As a consequence, that is a very sticky value proposition to them.

[Slide 5]
You can see some photographs here that are representative of the work that is being done. Most

surprisingly to me, I actually find some of our customers that tattoo our products on their body. Now, I am not quite sure about the etiquette, when somebody shows you their tattoo whether you are supposed to show them your tattoo. It is a new thing for me in this business, but it is an outstanding thing to see. The pride that folks have, the connection that they have, shows in some small but important way the relevancy of Columbus McKinnon. This, by the way, is not the only case. You can go on and find a lot more of this out there in the field. The issue is, how do you go forward with this business? What opportunities are there and how to push this forward?

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Essentially, we came up with a strategy. We now call this Blueprint for Growth, but it looks very familiar to you folks. We started this in my first year, and by the way, I am coming on almost 2.5 years now with Columbus McKinnon. We started it right away, even though we articulated it probably about six or eight months into my tenure, and Phase I had tremendous results for us. Phase I was focused on getting control of the business, down-selecting on a couple really key priorities. Also, we had just acquired STAHL at that time. So, one of the key priorities was to make good on that. I joined essentially the same month that we acquired STAHL or within a month of acquiring STAHL. That was a major acquisition for us which created a lot of work to do. So, there is an example of how we just down-selected on the many things. We started deploying an operating system that I am going to walk you through. We continue to deploy that operating system, but we got great results out of Phase I which lasted pretty much our first year. Part of what we laid the groundwork in that first year was a pretty massive reorganization. We were focused geographically on North America. You will meet Kurt Wozniak, who runs our Industrial Products business and was running North America. All the businesses from Columbus McKinnon, tucked under him for North America. As we did a customer-back assessment, we really determined there is a more relevant way for us to go-to-market at this time. There is no magic organizational structure ever for an organization, but sometimes an organization structure is more relevant than others. We determined that to be more impactful to our customers, we could organize from a business unit perspective and push our product lines globally. That was the hallmark of starting Phase II.

We started Phase II just about this time last year, at the beginning of our FY19. It was brand-new, and I am going to talk to you about the evolution of that, but the progress we have made this past year has come from the traction of Phase II. The benefits you see in this last fiscal year are absolutely Phase II. We are going to walk you through that, as well as each of the businesses.

We are not going to talk much about Phase III now, but I am going to come to it later in the morning. Phase III is more about the portfolio analysis and M&A. So let's get into it, and we will get started.

[Slide 7]
The operating system, we call it E-PAS for earnings power acceleration, started literally the month that I started and it started with the tiles on the left-hand side that are shown here. Monthly operating review, solid discipline on how we perform, how do we down-select with the right metrics to manage the business and focus on results and start creating a performance culture. We literally reviewed the company by 13 independent product lines or businesses every month. If there is remediation needed, we had risk and opportunity processes where you do that down to 13 distinct elements. This way, you really understand how the business runs and you start instilling an operating discipline. That was so important to us in our first year. We did not stop doing that, we do that today. As a consequence, you can see these tiles are built out. Each one of these represent a very distinct process and discipline that we continue to exercise and we will continue to build out these tiles. We started on the left-hand side which were Phase I related. Which are the

prominent ones today? The prominent one today is about the 80/20 Process. It is pretty central to our operating system at the moment and importantly, it links very well with something called strategy deployment. If you folks are familiar with strategy deployment, and other companies have used that, you know that these two processes work incredibly well together. 80/20 is about how you simplify your business. Strategy deployment is how you down-select on the most important opportunities, get traction with your management team, push it down into your business, how you understand whether you are on track, and what are the corrective actions that need to be taken. Those processes work incredibly well together.

We are excited because we are getting a tremendous amount of results from deploying this operating system, and like I said, we continue to layer on to it, we continue to build it out. It is the standard work if you will on how we get stuff done and how we execute.

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What are the results? I think you folks know them. The results in our first year were great. If you look, including the STAHL acquisition, we have grown almost 40% top line, out of that over the past two years, 13% was organic growth. We have doubled the operating income in two years, but a solid amount of traction also this past year with improving margins and getting our EPS up. There is a lot of momentum and importantly, when you think about Phase II, we are on a good path. We have a lot of momentum with this path.

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Let me walk you through the steps of Phase II. Because this is what delivered the value in FY19 and this is what we are focused on heavily, this fiscal year, now that we have a lot of momentum we are going to continue into the next fiscal year. The first one was about simplifying the business. When I started with the company and we lined out Phase II, we knew there was a simplification effort that was needed. We did not exactly know it was going to be this tool that we have employed with 80/20, but we knew there was one. I did not have 80/20 in mind, but I am a growth person. If you want to grow your company, you have to have leverage, you have to have scale, and you have to have those nuggets that you are going to build off to grow. Columbus McKinnon had too much fragmentation and as a consequence, we knew we needed to clean it up. This simplification in this past year when we deployed 80/20, we got outstanding results. $8.5 million of net income benefit. We thought we might get $7 million, but we did better than that. We are going to walk you through exactly how we did that and why we think there is a lot more runway there.

The second step in start of Phase II was about operational excellence. We know there is a lot of runway to improve our operations, and it is going to drop to the bottom line for Columbus McKinnon. This past year, we had record productivity. Why? We started with a new operations team. You are going to meet Bert Brant today, he is going to talk to you about our operations strategy, and he is going to give you some of the details not only on what are we doing, but why do we see there is a lot more runway there. We got great traction in the first year, a lot more to come. That is going to help us expand margins, which is also going to drop to the bottom line. By the way, there are a lot of things that happen with 80/20 that free up opportunity in operations. If you have heard people talk about 80/20, some folks bucket them together. We split them out, we show them separately, but there is a legitimate argument to say it is really one bucket. Because if you free up your product lines, maybe you can close the factory. That is exactly what happened when we announced our closure of Ohio, which happened because we freed up our product lines through the 80/20 Process.

The third aspect is ramping the growth engine. Mario Ramos joined us this past year, and I am very happy to report that we have made solid early progress on ramping the growth engine. This will be more prominent as we go forward because it takes some more time to get stuff through product development. Already in our first year, we are showing some strong elements of growth there. The last one that is not part of what you see on what we call our egg chart, where we talk about our phasing, is about transforming the culture. This is an underpinning that is happening, which is about instilling this performance culture, and reinforcing that. It is about sharing our mission, vision and values across the company. Those values are something that we all collectively came up with together and we have been deploying across the company. It is very meaningful to us and I am going to end the chart on that.

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Let's walk through each of these steps to give you a little bit more color on them. What is 80/20? Like I said, I did not come to Columbus McKinnon, thinking I was going to do 80/20, or that I would have to simplify. I had the mindset, I wanted to grow. But what was happening here at Columbus McKinnon? Those of you who might know Columbus McKinnon for a long period of time, this might resonate a little bit with you. We have tremendous complexity and a very siloed organization. 22 factories, 2.2 million square feet, 400,000 SKUs, over 50,000 product lines. Very siloed and fragmented businesses, not connected and operating together. How do you get scale out of that? We have more than a dozen electric chain hoist platforms. We have more than a dozen wire rope hoist platforms. I love brands. Brands are great. When you have so much complexity, it conspires against you. That was what was happening at Columbus McKinnon. We had to simplify to get scale, and by the way, there is a tremendous benefit that it will drop to the bottom line. We found this 80/20 Process, specifically to do this. It was not like somebody came in and pitched the idea of simplification 80/20, which sounds cool, let's go employ that. We went out looking for the best possible tool. I have done some homegrown things in my past and that was what I was thinking we would do. We engaged, we developed our own proprietary process for Columbus McKinnon. It is not like we sit around as a management team, hey, what are you going to do with 80/20 today? No, that is not it. It is analytical and it is rigorous. It is deployed through strategy deployment with four distinct teams. Kurt, our Industrial Products leader, stepped out the fastest on this. He is going to give you a lot more color and walk you through on 80/20.

What does 80/20 do? It does very simply two things. It eliminates your bleeders, areas of your business that literally bleed the lifeblood out of the company. We just tape dollar bills to products and we ship them out the door. They lose money, so you can't get scale and they dilute your overall effort. 80/20 helps you identify those and helps you remediate it. You have to take right management action, but think about that, eliminating bleeders. The other thing it enables you to do is figure out what parts of your business deserve that opportunity to grow more. How do you accentuate that? How do you get more of that growth? That is why this is so important to lay that groundwork for growth. In between there is a lot more that we are going to talk about but that is very simply what we do. It is a centerpiece of our strategy, it does drop to the bottom line. It improves our profitability and the biggest way it improves our profitability is it enables you to free up the dimension to get rid of overhead. It is not the fact that you are shipping that product, but that you are not making money. It is about the overhead that takes you to get that product developed and pushed out of the door. Ultimately, it is that overhead reduction that you folks are seeing dropping at the bottom line. It also gives you intelligence to say, you know what, there may be a legitimate opportunity for us to ask our customers for more price. With that intelligence, we have been managing to get a lot more pricing out of our business and historically, we have been good at that.

The other thing is profitable revenue growth. You focus on the areas that you can drive that and you start seeing that show up. Now, there is a little bit of balance there and we argue a lot about this internally because you also shared some revenue too. How do they counter each other? That is a little bit difficult for us to completely assess, but the most important thing is it enables us to have the clarity of where we should grow and then go push on that dimension. Lastly, it will improve your return on invested capital. You have seen our inventory going up because we focused on availability. This process will also help us make sure we have the right inventory where we are supposed to. It has a big opportunity for not only serving our customers well but also reducing inventory. We will show improved profits and also reduce inventory, which will drive ROIC. We are very excited about it, and you are going to hear more about it from each of these leaders.

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Let me show you how we have walked through our organization with it. We started in North America with our Industrial Products group and they made some excellent traction with this. Kurt is going to talk about that later. He also deployed that into his European business, so he can give you some color on how that occurred and how that goes. Because I know a lot of folks have questions such as, is this just good for North America or can it also work in Europe? Got great traction in that business. You are going to hear from Crane Solutions and Pete McKormick, who leads that opportunity for us. He started with Magnetek based in Menomonee Falls and got great traction there. He is also pushing that into other parts of our business as we speak. You are going to hear from Appal Chintapalli about Engineered Products, who is leading that effort for us. He is our newest member of the team, and is also going to talk about 80/20. I think that we are about 1/3 of the way through where we need to be, and that means there is a lot more runway of opportunity for improvement. Each of the folks are going to walk you through that as well.

[Slide 12]
The second element that I talked about was operations excellence. Bert Brant is going to follow me and he is going to talk about our operations excellence initiative. He started about 16 months ago, and we are now looking at operations fundamentally differently than we had before. This chart shows one example of why we think there is a lot more runway of opportunity. You look at all of these fragmented small operations around and you understand what are they doing, such as everybody wants their own machine shop, and everybody is measured as a P&L. What do you want to do as a P&L leader? You want to get maximum absorption even if those opportunities really do not pay for themselves or are not the right thing you should focus on. As a consequence, you do a lot of things that probably you should not be doing. So that would be non-core. Forgings might be a great example. He is going to walk you through some outstanding examples of stuff that really we should not be doing. Other folks can do better, and we get to focus on our core. That is going to free up and improve our opportunity for dollars per square foot and our productivity. It is also going to improve our fixed versus variable cost ratio, which will help us when markets sour and they do not do as well they have been doing. This is a fundamentally different way of looking at our operational activities and it is going to drive a tremendous amount of value.

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Mario is going to walk us through ramping the growth engine as well. There are three pillars that are relevant here. The first one is how do we strengthen our core. What we do in the product line simplification part of 80/20 is platforming our businesses. How do we get leverage? A lot of basic issues to strengthen our core, and how do we do better with what we have in there? A lot of you can view it as, hey, you have to clean up, you have to organize, and you have to do better with what you have. Lots of opportunities to do that. We are going to hear more about it. There are

two growth areas and this growth narrative is fairly new because we are rolling it out here today. The growth narrative is about two dimensions. Being a lifting specialist, which is something we do very well today, but has legs for growth, and smart movement. You have heard us talk about smart products, which we call smart movement and goes across our product lines and we are going to hear more about that today. There are a lot of legs in our growth opportunity, which we are very excited about. I think our growth narrative makes a lot of sense for Columbus McKinnon.

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Where does that put us? We look at ourselves versus our peer group of some industrial technology companies. Our EBITDA margins were about 11% and 11.5%. Today, they are just over 15%. We have made outstanding progress on margins and return on invested capital. Where do we need to go? We have put markers out there at 19%. A big part of what we are going to talk about is, how we get from 15% to 19%. Keep in mind, we have gone from just over 11% to 15%. So, I view us as halfway there. We are not starting a process and compared to where we were last year, when we were just figuring out Phase II and the folks that you see here in the room and they are all looking at each other, they were all wringing their hands and saying how are going to figure this out? How is this going to work? It is not happening this year because we know what we are doing. We have Phase II, we have a lot of momentum with Phase II, and we are halfway there. We are going to get a lot of benefit. Greg is going to walk you through a roadmap on how this fits together and how we view 19% being very achievable with our strategy and the traction that we are getting.

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For those of you that do not know Columbus McKinnon very well, I just want to back up for a second. I started my dialogue, talking about Phase I and how we reorganized. This is a good way to look at our business. We have Industrial Products shown here on the right, a little less than half the company. These are considered to be the legacy products of Columbus McKinnon, fairly low price point, couple thousand dollars, off-the-shelf items, selling right through into a channel that normally holds inventory. A lot of these items are expense items, and these are historically Columbus McKinnon type products. Folks are very attached to short-cycle business, but also very sticky brands because they are professional grade products. We do not do commodity stuff. That is what we are going to talk about with Kurt's piece of the business.

However, they go to market very differently than Crane Solutions. Think about Crane Solutions as our most recent acquisitions. They really fit into an overhead crane solution, and it is very powerful because this is the first time Columbus McKinnon brings this into focus in a way that makes sense for our customers. It is all the products that are needed, the controls, the wire rope hoist, the end truck, and all of those pieces are managed by one global business unit leader. It goes to market very differently, in many cases, than Industrial Products, and it is relevant to the customers because they buy all that stuff together. A lot of traction can be made, and Pete is going to talk about that part of our business and how that make sense together.

As I said, you are going to hear from Appal for the Engineered Products, instead of lifting, the third one is more pushing and pulling. These actuators have been growing very strongly, and there is an excellent trend for electromechanical, and they go to market in a different way. They have different customers, but we have now organized that into a rational way, by which we can get greater scale out of product development and push on the unique channel opportunities that are available to us there.

[Slide 16]
We are excited to step through that. The other thing is we think about how we go to market, and we also push on the opportunities that offer legitimate growth. Compared to last year, markets are not as favorable, and there are more headwinds in the markets. It is spottier than it has been, but as I have told you on earnings calls, we also are seeing growth for some verticals. An excellent one to talk about is steel. Metal processing and particularly the steel industry in the United States and also in Europe has represented very strong opportunities for us for continued growth. We have outstanding opportunities in aerospace and defense. Entertainment, which is a small but growing part of our business and it represents outstanding opportunities at great margins. All three of those segments that I just showed can provide higher gross margin price points than what we are delivering on average in our business. You will also hear from our business unit leaders walking through that.

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In summary, I want to show you our mission, vision and values. This has a lot of meaning to us and the reason why it has a lot of meaning to us is that we all collectively came together to create it, when I first started with the business. It is not my mission, vision and value. It is what we created together. Even the legacy Columbus McKinnon folks came together to share into a new mission, vision and value and what it is about. It resonates because it talks about serving high-value customer problems for professional grade solutions. It works for all of our brands and it is what we all do. We do not do commodity stuff. That is not our business. If our customer has a tough problem to solve, low mean time between failures, they have to make sure they have safety. It is very meaningful that they pick and they take a trusted true brand, like Columbus McKinnon, because that is the reliability and productivity that they need. If you have Ford on your manufacturing line and you are making F-150 pickup trucks and the tech time is 50 seconds, you want to make sure you have yield. If you are in the entertainment industry and you are holding up all of that rigging and staging and you are putting speakers out over the crowd, you have to make sure you have the safety. These are the applications that folks look for us to solve and there is a lot of extension in what we do. That resonates a lot with us. It is also where we can grow because if we are solving high-value problems for customers, if we are identifying them, invariably it means some aspects of technology. When you embed that technology in the products, you also create more value, particularly when it talks about safety and productivity. These core values are something that we share across Columbus McKinnon. We developed them. We talk about them a lot. We reward people based on them. We also will let somebody go if they do not exhibit enough of these types of qualities across our business. It is very meaningful and it is quite sticky for us.

[Slide 18]
So with that, I want to turn the presentation over to Bert Brant, who is Head of Operations. Thank you, Bert.

Operational Excellence

Bert Brant: All right, thank you, Mark. As Mark said earlier, I have been with Columbus McKinnon now for 16 months. Before joining Columbus McKinnon, I have accumulated 37 years of experience in manufacturing operations. Most recently, I have worked with Colfax at fluid handling group and also with Apex Tool group. Most of my career, I have been part of companies who were very developed, and based on performance and very demanding cultures. That is why I was really excited about joining this company when Mark explained his vision to me of growing a performance type culture and really being a top quartile performer, since it allowed me to bring in my

background and help the company to get there. That is one of the main reasons why I have joined the company and for the first year and a half it has been a very exciting trip.

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When we talk about our operational excellence strategy, it is really a 3-pillar strategy, which is based on us defining the role of operations at Columbus McKinnon. These three pillars are really to redefine the customer expectation, to improve our cost structure, and optimize our working capital. Before we get into the strategy, I want to take a minute to explain the status of our manufacturing operations when I joined the company and then talk about our initial focus as we moved into fiscal year '19.

Our plans were vertically integrated and we measured individual P&L as markets see it. We really had no global operational strategy to become the best-in-class. As I turned to our plants, I was really amazed at the amount of overhead labor we had allowed to get into our cost structure. Our supply chain was extremely complicated. We had over 400,000 SKUs and more than 10,000 suppliers. The global supply chain team really acted more as advisers to the businesses instead of partners owning the results with the businesses. We were trying to focus on too many metrics, which was not necessarily critical to driving us towards operational excellence and with the exception of on-time delivery, the metrics were not really focused on the critical few items needed to improve. The operations team did not understand the role of driving the customer experience and become a top quartile performer in both cost and working capital management. The talent level of the staff and plant management team was not at the level to support top quartile performers. Our approach and understanding of lean manufacturing was really basic at best.

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So, our first step was to simplify our key performance indicators to a few metrics that drove our focus to customer satisfaction and improving our cost performance. Examples of these KPIs are on time delivery to our customers' request dates, net material cost-savings, and overhead rate as a percentage of standard hours earned.

Next, we went out to benchmark ourselves against best-in-class companies, and we established our targets for improvement. From these benchmarks, we now use our KPIs as tools to improve our business, not just measure our business. We also had to teach our teams how to become fact-based and fix basic root cause problems versus just fighting the symptoms over and over again. The same key KPIs that we used in our plants every day to run our business, we also used in our monthly management operating reviews, and we have updated the board with these on our board meeting. So they are very important throughout the organization.

Our next step was to conduct a strategic assessment of the manufacturing processes and of our 22 manufacturing facilities. We established our plants in a tier system, which allows us to drive our activities and our investments to the areas of greatest impact and identify simplification and consolidation opportunities. We determined which manufacturing process was core to our future goals, which should be invested in, and which process represents the savings opportunities to be outsourced. To successfully execute these activities with the speed we needed, we had to develop a strong operations team with the skills and experience to not only execute but also to refine the strategy. This team was in place as we moved into fiscal year '20.

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Our global manufacturing footprint of 22 plants had grown through acquisitions over time and presented us with opportunities for simplification based on duplication of product and processes we

found within them. At the end of fiscal '19, we had simplified our manufacturing footprint from 22 to 18 plants through divestitures and the consolidation of our Salem, Ohio site. The 80/20 Process, which Mark has mentioned, helped us improve our product offering through product line simplification. We now can convert our plants into centers of excellence by region with common product lines, allowing us to concentrate investments and talent into these plants.

This product simplification also makes footprint rationalization possible. For example, we have recently completed the consolidation of our Salem, Ohio plant into our Wadesboro, North Carolina operation. In fact, we are announcing today our plan to consolidate from two to one plant in China. This consolidation will cost us approximately $1.2 million, with a one year payback.

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Our second strategic assessment was of the manufacturing processes within our plants. The majority of our plants had backward integration with no real mass to drive efficiencies or investments. Every plant had its own machine shop, producing the majority of its own components, and again, as Mark has mentioned, it maximized the plant absorption, but it really did not make us cost competitive and drove our complexities. This plant complexity is a large driver of our current overhead structure that we will discuss in a moment. An example of our backward integration was a practice where each plant would procure raw casting for domestic testing houses and then machine those castings in-house.

We are now looking at sourcing completed casting from best cost suppliers, which allows us to not only optimize our cost structure, but also to further optimize our footprint. We evaluated these processes in two ways. Is it core to our future plans being successful and are we good at the process and cost competitive? The processes which are not core and we are not particularly good at represent opportunities to source outside. The core processes will be invested in and grown as they support the three pillars of our strategy.

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As we move into the strategy, the first pillar is to redefine the customer experience. One learning from our benchmarking process was that no one in our industry was very good at on-time delivery. This represents a tremendous opportunity for organic growth for our company.

A key to being easy-to-do business with is short lead times and dependable delivery. Prior to fiscal '18, we used to measure on-time delivery to our promised dates based on our current lead times and capabilities, not on the customer's request. Our on-time delivery scores were very high, actually in upper 90s, but obviously this was not aligned with how the customer perceived our service. In fiscal '18, we changed this metric to on-time delivery to the customer's request date regardless of our lead time or capabilities. This change allowed us to align ourselves more with our customers and also allowed us to drive a more than 11% improvement in on-time delivery during that fiscal year. However, this still was not aligned with how we think about our business today as part of our 80/20 Process. We are now aligned with on-time delivery requirements to our top customers and driving lead times and inventory to support their needs on key products as that is how the 80/20 Process works. We have made good improvements in the areas of on-time delivery, but we are not where we want to be, clearly, but we are on the right path as the Ops team continues to embrace this role of redefining the customers' experience.

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The second pillar of our strategy is improving our cost structure. 85% of our cost of goods is comprised of material and overhead. This, again, allows us to focus our attention on driving

improvement in these two areas. Our overhead cost is 30% versus 55% for material. Our largest opportunity for improvement is in the overhead area based on indirect labor being a large component of this spend.

Overhead cost reduction activities are being focused on improving our direct-to-indirect labor ratio and consolidation activities. After a successful fiscal '19 on driving net material savings, we continue our simplification work on component SKUs through our value analysis, value engineering process, and developing fewer, more strategic suppliers within best cost regions.

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Our short-term approach to reduce overhead costs is to focus on indirect labor spend in these existing sites. Indirect labor is any nonvalue-added activity in the plant, which is not actually producing product. Almost half of our overhead cost is indirect labor, which is a result of a nearly one-to-one direct to indirect ratio, which is again highly affected by our complexity and backwards integration. 70% of this indirect labor can be categorized in three buckets, the largest of which is material handling functions, which is nonvalue-added activities evolved with procuring, planning, and moving the material, which is again driven by complexity. Our maintenance and supervision labor are both directly related to the degree of backwards integration. We now have plant-by-plant targets to reduce these spends based on removing complexity and improving our overall plant flows.

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A second approach to overhead cost reduction is tied to our plant consolidation strategy, where we are consolidating core product into larger plants with minimal indirect labor moving with the product. Noncore fabrication processes are being sourced with best cost suppliers, which provides additional savings and opens floor space for future consolidation on core product. Our future model has less than 25% non-core products in our factory, while improving our revenue per square foot by 26% during the same timeframe.

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It is every exciting to talk about VA and VE. VAVE and 80/20, and how it really simplifies the product, as Mark discussed, from a supply chain standpoint. That allows us to procure fewer SKUs from fewer suppliers and really increase our leverage. The operations team has really benefited from this process and really has supported where they can because it really does speed up the pace at which we drive improvements.

Our material productivity strategy places an emphasis on simplifying our SKUs and our supply base. By rationalizing finished SKUs through the 80/20 Process and standard components through VAVE, we are driving a 25% reduction in total numbers of procured SKUs. At the same time, we are reducing suppliers by developing long-term strategic partnerships on critical parts while centralizing buying on more commodity parts. A great example of this process is our motor spend. Motors are in the top three of our spend matrix, and it is very complex. We are at 6,000 SKUs and 50 suppliers, which in many cases are single source. VAVE has allowed us to drive a 50% reduction based on commonality of components, which meets or exceeds the customers' expectations. In some cases we can use the same motors for a lot of applications. What we are currently doing, which we really never used up until this year. We have Mario's team really get engaged in VAVE. We have made great inroads this year reducing those SKUs and simplifying the process where we now can actually start going into some best cost regions looking for motor suppliers who can actually give us better prices based on the improved leverage.

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In summary, we have confidence in our 3-pillar strategy, which supports our goals to drive organic growth through redefining the customer experience and to move the company to top quartile performance in both cost and working capital optimization, which is our third strategic pillar. Our focus areas for working capital include improving our days payable outstanding and inventory turns by utilizing both an intense SIOP process and a centralized process managing our payables versus a plant by plant approach.

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Thank you, and I'd like to introduce Mario Ramos.

Ramp the Growth Engine

Mario Ramos: Thank you and good morning, everyone. I am Mario Ramos and I am the Vice President for Global Product Development at Columbus McKinnon. I am very excited to be here today. I think this is a great opportunity for me to share with you our strategy for growth. Let me tell you a little bit about my background. I joined Columbus McKinnon about one year ago and I came from Schneider Electric, where I spent about 19 years of my experience in multiple functions starting with R&D, product development, product management, project management, et cetera. I had the opportunity to manage teams across multiple geographies and to turn around many of the R&D teams in Schneider. I am very happy to be here. You may be asking yourselves why I decided to join Columbus McKinnon. When I joined the leadership team at Columbus McKinnon and they outlined the strategy for growth, our Blueprint for Growth, and looking at the opportunity and the impact I could bring to the company as we can turn around our product development efforts, I was very excited. That is the reason why I am here and the rest is history. I have been here for a year now.

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Let me walk you through what is our strategy for ramping the growth engine. I am going to give you some insight into what the accomplishments of our team were over the last year, so you can have some color on that.

If we think about our path to profitable growth, strengthening the core, as Mark mentioned, it is really about how do we protect our current position and business by understanding how do we simplify the business and how do we create opportunities for a better cost position. Bert was talking about our VAVE, which is the value-added, value-engineering process that we implemented and that will give us opportunity to optimize our costs and look for opportunities to expand our current core products into new geographies and new markets.

We are recognized today in many areas of the world as the lifting expert for specific applications, and I am going to give you some examples like explosion proof hoists in entertainment. We also have a unique position in these areas. I am going to be talking about how leveraging our expertise in new geographies, leveraging our expertise into new markets can give us benefits to create more opportunities for profitable growth.

Smart movement is really about how do we control movement and at the same time create value to our customers by improving safety and improving their productivity. In many cases, today, as you are well aware, resources that have the right level of expertise for some very complicated processes are very limited and many of them are retiring after many, many years of being in

industries. Our opportunity is how to replace that knowledge by creating systems that can, in fact, control all these different crane systems or actuator systems in factories, in multiple industries, in a safer manner and create additional value by bringing a higher level of productivity that will help our customers be competitive in the marketplace. That is the bottom line of how we articulate our long-term vision for growth.

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Let me talk know a little bit about what we have accomplished over the past year. When I joined the company about one year ago, the first step was to assess where we were in terms of product development, what projects we were running, et cetera. The chart that you have here on the bottom is just an example to exemplify one of our product lines. When I joined, the first request that I got from my team was, hey, can we have more resources because we have too many projects and we cannot complete all of them. I answered, okay, let's first of all review each of these projects and understand what the value of each project is, and assess how we can optimize or prioritize. What I discovered was that only about 15% to 20% of these projects were actually adding 80% of the value in terms of revenue generation for the company.

The obvious question was why we were working on these other initiatives. After establishing a process to prioritize our projects, we were able to eliminate a lot of the tail projects that you can see here. You are seeing those resources, if we would reallocate those resources to actually fund our growth. Putting them in the right priorities and trying to accelerate our time-to-market on those initiatives is pretty much driving some of the success that we had in the first year.

The second question was, okay, so we have a strong legacy, have been in the market for many years, some of our product lines have been out there for more than 15 years and to my surprise, many of them did not have enough changes, enough evolution. We are using the same old part that was designed 50 years ago. Well, technology has evolved, materials have evolved. There are a lot of things that have changed. So, we established a value-added, value-engineering program to identify the opportunity to improve our profitability of the existing platforms. We identified tremendous opportunities and we dedicated a team that has a main core mission which they will continue. Every month, we continue to identify opportunities, drive our projects, and we have elevated these to the executive level to have reviews on these projects.

Finally, you need to think about the following: Okay, so I know now what my priorities are, what I need to focus my team on, and have identified opportunities for profit improvement. Now, I need to ask myself, do we have the right skills to go after these opportunities and do we have the right processes to go after these opportunities. We identified many areas where we could improve. Therefore, we are bringing new skills into the organization and hired a few people for project management, product management, and software development over the last year. We are also training our existing employees so we can help them get to the next level in order to help us drive some of the improvements that we need in this area. In terms of results, we are getting very positive results.

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Let me first start by defining some of our categories for product development. What is new product development? New product development is about creating standard solutions for our customers to solve high-value problems. As we create these standard solutions, we have an opportunity to optimize cost. We have an opportunity to help our customers be more proactive, to improve safety, to meet constant standards, and to refresh our products in order to bring new features into the market. We were able to grow new product development revenue from fiscal '18 to fiscal '19 by

60% year-over-year. That is a great accomplishment for the team and for Columbus McKinnon, because we are starting to gain traction on R&D.

Second, I would like to talk about automation. As you know, automation is growing very fast in the market. We are expecting a 15% compound annual growth rate, and we need to take the opportunity as we are part of that automation system to consider how to grow in that aspect. Automation is about creating solutions through products and software-enabled functions that allow the customers to improve their safety and improve their productivity and reduce their downtime. We were able to grow our business in that area by about 25%, so revenue generation improved.

Lastly, I would like to talk about engineered-to-order. Engineered-to-order is about using our standard components and making modifications to the standard components that we have to be able to provide a solution for a very specific job. For example, we have a customer that came and said, I know you have this lifting speed for this product, but I need something that requires higher speed and I am willing to pay the premium for that if you are able to give me something that runs faster in the same size. Subsequently, our engineering team made slight modifications. By definition in engineered-to-order, we need to spend more than 2.5 hours of engineering time, helping our customers to redesign or redefine the solution. However, there are some cases where you use not only a few hours, but actually weeks of design to generate the next product.

How do we create success with the new product development? We focus on modern drives and refreshing our product line of radio controls. We also spent time on the variable speed platform that we started introducing a couple of years ago and we complement the offer to understand the value proposition for our customers. Also, we have some manual products that are very successful in the launch.

In automation, we really focus on the core of what we know to do best. We actually spent time on identifying the value proposition for specific customers and verticals, and we further developed our competencies and how to provide solutions. An example of no-fly zone is where you have a crane and you may have objects in the middle of the way as you are moving other objects from place A to place B. So, you need to identify those obstacles and you can quickly program it into your crane and the crane would automatically optimize the trajectory to avoid these objects that you do not want to go through. It could be an area where you have people working. For example, you do not want this crane to be flying on top of a working cell, so it will go around it for improved safety. Lastly, the reason why we made such progress with engineered-to-order is because we actually were very successful in improving the responsiveness to our customers. We were putting metrics and focusing on how to improve our "lead time." By reducing more standard components we are able to provide our solution in a shorter lead time, which is a benefit for our customer.

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How did we achieve that? You will be surprised that probably the obvious question is how much extra money you spent to generate those results. The short answer is that I did not spend any more money to generate the results as you can see on the results of fiscal '19. Our spending actually slightly declined as compared to our spending in fiscal '18. The question is why and how does this happen? In spite of the increase that you can see from fiscal '17 to '18 and our mindset to continue growing the engine for product development, the first thing we had to do is to fix the engine before you put more fuel in it. We can burn a lot of fuel if we want to, but that won't be responsible. First of all, what we are attempting to do is to identify what are the right projects to work on, deselect those projects that we do not want, and reallocate resources to the right priorities. By doing that we are self-funding the activity and improving the results. Finally, we are

actually looking into opportunities on how to improve our internal productivity by creating new processes for bringing more discipline on the execution of things. As you can see, when we used this benchmark for product development in fiscal '18, returns on product development were 56%. We were pretty much compared to low performers. In fiscal '19, we had pretty much the same level of investment, but a different ratio between R&D and sustaining engineering, which was a big change. When I came here, one of the ah-ha moments was, why are we spending so much money on sustaining? We should be putting more in the growth and the future. We started making some changes in deselecting some low-value opportunities and selecting the right high-value opportunities. That helped us to improve our result. The results you saw on the previous page, such as 60% growth in new product development and 25% growth in automation, actually helped us to get to 94%. Now, we are above the median performance of our peer group. This is a great success story in a short period of time. Of course, we will continue to drive discipline, to drive more improvement in our processes and to continue selecting the right projects. That is critical. Now, I would like to talk more about our strategy for growth.

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As we start to discuss our strategy for growth, the first pillar is about strengthen the core. You heard Mark and Bert talk about some of the complexity that we have and how the 80/20 Process is helping us to improve the simplification of our processes and really focus on the opportunities for growth. Right now, and Pete is also going to show his business, we were very successful in the last couple of years by taking our wire rope hoist platform and going from ten to five families of products. Now, you may say well, you eliminate products so what happened with your customer base? In fact, we have better customer service and we have better opportunities to provide products to our customers. Our features are much better, our cost is better, and we have been very successful growing that business. We are going to apply the same thing to our power chain hoists through a product line simplification process where the idea is to leverage common components across the different product lines. As a result, we are going to create platforms, so we can reuse the same model, contractor, drive, and components in order to gain scale, optimize our costs, and continue to drive our customer value proposition. Other opportunities include expanding some of these products that only serve one region in the world to other regions which will expand our market.

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Now, when we talk about the story of our global specialist in lifting technology, and on the other side, our vision on how we are going to leverage that, think about the fact that lifting specialist comes from high-value problems of customers. This is just an example. One of the high-value problems for customers in many industries today, is that they have environments where you can ignite the environment and create an explosion. In those specific environments, like in the pharmaceutical and chemical industries, you need to have products that can actually self-contain any spark. We use electrical components. These electrical controls go inside of a sealed box that is protected such that you cannot create an explosion in the place where they are working. Mining could be another example. In some areas, mining gases could be very dangerous and they could create an explosion. So, what is our opportunity? Well, our STAHL team were the pioneers many decades ago developing the technology around explosion-proof. Since then, they have been on the front end of innovation on explosion-proof products. We have been leading some of our quotes and standards globally on how these products have to be protecting certain environments, et cetera. We are going to leverage that opportunity. One of the biggest markets, and the market is growing the fastest today in this type of application, is in fact in the United States, where we are bringing out the expertise from our European team and the European product to be fully certified in the North American market in order to expand and grow in this growing market. At the same time,

it is not only about certifying the products, but now we will take an opportunity with new technologies to: number one, reuse our internal components, so we can further grow; and second, we are going to try developing cost-effective solutions that some of these products for many years have not been touched, and we have an opportunity to improve that further.

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Now, let's talk about the smart movement. As I mentioned before, smart movement is about controlling movement while allowing our customers to improve their safety and productivity in their processes. What is our trajectory? Well, so far we already have been successful in some areas and I do not know if you are aware of that, but in the wire rope hoist platform, we have been very successful providing solutions with variable speed, precision movement, remote monitoring, and we are already in process to replace a lot of our competitor controlled components with our own components. As you know, we acquired Magnetek a few years back. They have been experts in motion control for many years and they have developed their own drives, control products, and software packages. Now we have an opportunity to go back and reuse those platforms, continue further developing these platforms, and reuse them in different product lines that we have across the company. Using the expertise and experience that we have in one side, we are going to exploit that expertise and continue building on those competencies to further develop smart solutions. As you can see, we launched our power chain hoist with variable speed and we have been gaining a lot of traction. A lot of customers now realize the value. The important thing is to know that you cannot push technology in the market. The market has to ask for a solution and then you provide the best solution to the market. That is the way this is going to take off. Otherwise, it is just technology for the sake of technology. While using our technology to solve specific high-value problems for customers who are asking us if we have a solution around a specific problem. Hey, I have this process that is very a mission-critical process. I need something that tells me when I need to maintain my crane, when I need to start, when I am overloading my crane, when the operator is overloading the system. Well, we have all those solutions built on. Now what is the opportunity that we have? As we move forward, today, the opportunity is, in order for us to scale these automation modules and packages, to productize and standardize some of these solutions. We need to make them simple to plug and play in different environments, simple to be compatible to different ecosystems, simple to be maintained and over time, simple to be upgraded with new features and so forth. That is our vision on how we are going to be developing these products. In the diagnostic area, which is an area where we provide certain level of diagnostics that are specific requirements for certain customers, there is further development to actually be able to go several steps ahead.

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The smart movement starts with a high-value problem. This is an example that I want to share with you very quickly. Here on the left-hand side, we have a picture that shows a company that is manufacturing steel rods for different industries, and they have a just-in-time shipment process. They only have certain sizes and capacities, and they were asking, hey, I need a solution, I want to expand my business. My business requires us to have more sizes of rods, different weights and I have limited space in my storage area and shipping area. How can I improve my speed? How can I improve the location? Localizing these products, how can I move them faster? Basically, what we need is to work with our channel partner. By working together with them, we created a system where you can see here, two hoists and one crane. These are electromagnetic hoists that actually hold the rod and move it around the factory. What are the challenges you have? You have different diameters, and think about this huge 14-ton steel rod. Now, in the same process, you can move a 14-ton rod or you can move a 2-ton rod, which is significantly smaller in length and diameter. So, what is the challenge you have? You have to control this in a way that you can only

use one side of your hoist or one of the two hoists or you can use both. Furthermore, you have to control the sway as you are moving across the factory. You need to identify where you have these obstacles that you need to avoid and you need to optimize the trajectory. After that, you need to be able to select, okay, I need a rod that is XYZ, and the system knows where this sitting and the storage location so the crane will automatically go there and be ready to pick up the rod. Then it will take it back and you say well, this needs to be shipped from bay #5. So, it goes back and puts it on the platform to be ready to be shipped. This is a high-value problem where we were able to help our customers improve their productivity and grow their mix of products. In general, these type of solutions represent much higher than average margins for us and the customers are willing to pay the premium because they understand the value proposition. Also, the payback for our customers for many applications that we have started runs between five to ten times, so the return of investment is fairly quick. You can get in the same year 5x to 10x the benefit of your investment.

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Concluding, I would like to point out that I am really excited to be here. I think we have tremendous opportunities for growth, and as you can see, our path to profitable growth is very comprehensive. Our 3-pillar strategy that takes care of our legacy and current position, helps us improve and simplify our business, to leverage the expertise that we have developed in the different businesses across the company, and will help us also to be part of the future as we integrate our systems into more automation and smart movement systems.

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Thank you very much. I really appreciate your attention today and I would like to introduce Mark Paradowski, our Vice President for Information Services. Thank you, Mark.

Digital Platform

Mark Paradowski: Thanks, Mario. Good morning, everyone. As Mario said, I am Mark Paradowski. I am Vice President, Information Services. I have been with Columbus McKinnon for about 22 years now in varying roles, all within the information services team. More recently now, I have been given the opportunity to lead our customer-facing digital journey. I am going to spend a few minutes talking to you guys about what we are working on.

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As we talk about our focus on ramping our growth engine and pivoting into an industrial technology company, we looked at our customer-facing digital presence. Now certainly, we have a customer-facing digital presence today, but we looked at it with a critical eye, the eye of that outward end. Are we providing what our customers and channel partners need? What do they expect in that digital space? How do they engage us? Is it simple? Is the digital presence what an industrial technology company should really have? This really drove us to three key initiatives. First and foremost around digital tools or configurators. A simple example of a configurator would be, go to any automotive website, you pick the car, you pick your option packages, you put your tires on, your rims, your color, you just configured your car, you get a price. That is a very simple model of a configurator. Our configurator allows our channel partners to come on to not only configure our product, to get their pricing, their lead times, they actually even get a 3D model, a drawing of what they have just configured. I know that sounds easy, but it really is a lot of engineering aptitude that goes into that tool to make sure that solution they are configuring really meets the market need, is high quality, and is safe. We call our tool Compass, and we'll talk about it a little bit more in a few minutes. Second area is around our product data. Do we provide rich product data? What I mean by that is, do we provide the pictures, the videos, the specifications? When people go online, do

they learn about our product based on our product data? We did not just look at it on our web presence, we looked at it on our channel partners', and with that, we really made the decision that we really need to enhance our product data and kicked off our second initiative that we call PIM or Product Information Management.

The last area was our website or to be candid, websites. As we have grown up to the times, we have accumulated websites. We looked across those websites and really started asking ourselves those tough questions. Do they really represent us? Do they tell our story, who we are? Do they bring forward our value proposition? We kicked off this third initiative to drive forward with a new global website.

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As I mentioned, Compass is our configuration tool. It allows our channel partners to configure, to price, to get lead times, to get those 3D models, the drawings they want to plug into their drawings for their customers. It does not just do that for individual products, it allows them to take multiple products, configure them together into a system or a kit. Shown here is a top-running single-girder crane system. That was configured on Compass. Now, the old process used to be, our channel partner would go out to the customer, they would get their specifications, put those specifications into some package, send that on to Columbus McKinnon where we have an application engineer, put that quote together, take their quote, get a drawing, send that back to the channel partner, the channel partner would take it, put it into their quote package, and send it on to the end customer. It is always that back and forth trying to get all the pieces of the information. Obviously, a process at best, is measured in hours. In reality, it could be measured in days. This model here took about 20 to 30 minutes to configure in Compass through a guided process that incorporated all of the necessary engineering to configure a complete system. That is the advantage of Compass to our channel partner. That is bringing that power forward of engineering tools in their hands and let's face it, our workforce continues to evolve. Now, there is a lot of expertise that moves on to that next step in their lives, and these digital enablers are coming in and they expect this degree of tools. We can help accelerate our channel partner's learning process with their new workforce. No longer is there a back room of engineers that just do crane calculations. That is expected to be provided by the tools, and that ease of use is what Compass brings them.

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So, how is Compass doing? Over the last year, we have seen really great growth and adoption in Compass. A lot of quote activity being done in the tool, and that is really brought forward because of the roadmap we are executing, with adding products, adding functionality, and training our end users. That has really driven that adoption process.

Now, Compass was originally designed really with our core business, our hoisting market in mind, our Crane Solutions, our Industrial Products groups. But we see a real advantage to this tool so we have now expanded Compass into the Engineered Products group. There is the same need in the actuator systems market with those customers for them to configure and engineer their products online as efficiently as we are doing in our other business units. We have added the Engineered Products into our roadmap.

Additionally, as you get adoption, you get lots of feedback from your customers. We get a tremendous amount of customer feedback. Now, we are actually coming out with a whole new user experience. We are in the process of launching what we will call the next generation of Compass that has really what you would expect in today's modern web configuration experience.

Additionally, we wrapped a full quote management cycle around it. Not only can I, as a channel partner, get my quote, I can take that quote and put it right into a branded quote for my end customer, all within compass. There is no more of that cutting it out, putting it in my Word document or however they do it and sending it out to my end customer. We have full quote management capability. We also built this tablet friendly, so now our channel partner can be sitting out there with their customer, configuring it in real time on their iPad or whatever their tablet choice is. They can then get that quote, roll it right into the customer quote and give it to the customer as they are there. No longer is it, I will send it to you tomorrow, I will send it to you later. They can do it right there with their customer in real time. That is a lot of power and that is really simplifying our business with our channel partner and responsiveness of our channel partner to their end customer.

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As I mentioned, PIM is this Product Information Management. It is that rich data. We all go online, we all research products, look at services, there is an expectation. We expect to see pictures and videos and the 3D model you can spin and zoom in. We expect to fully understand the specifications. We want to look at our product and know is this going to work for me or if there are two products, why is one really better than the other? That is rich product data. That is what our PIM initiative is about. As we build that out, it is not just about the product data, it is about the parts, the accessories, that cross selling, that full 360 of a product, that data has to be in PIM. Now, we do not just use the PIM for our digital properties, we use it for our channel partners. The number one request we probably get from our channel partners, distributors, is for rich product data. They understand that the stronger their web presence is, the better off they are and the better our data is, the more prominent positioning we get on their websites. They often come to us and say, we need product data. We are providing that product data not only directly out of PIM. We have opened PIM up to a PIM storefront where our channel partners can come in, draw that data directly out of PIM and engage us in that fashion. No longer is there a marketing person that has to sit between them. That is PIM storefront. We have also taken PIM and incorporated it into Compass. Now, as I am configuring my hoist, if I do not know why I want a stainless steel hook over a bronze hook, all that PIM data comes into Compass. I could see pictures of a stainless steel hook and a bronze hook. I can read why I would want one or the other, what are the use cases. The PIM data is an educational process now in Compass as well. All in all, we are really taking all that PIM data and using it across all of our digital properties.

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Finally, I would like to talk about that third initiative of our global website. As I mentioned, we have websites and when we looked across those websites, really challenged ourselves, are we providing a modern experience? Are we telling our story, who we are, what makes us different? Do we do that consistently across the globe, across our brands? Is it mobile friendly? Sadly, we had limited mobile capability across our websites. Now, mobile is about 52%. At least in 2018, it was 52% of page views. If we do not have a strong mobile presence, we were missing out on half the potential traffic. Additionally, with 5G coming, I think we all agree, mobile is not going to start shrinking anytime soon. We knew we really needed to rethink how we present our digital content, not only for the desktop, but for all devices. So, we really thought, it has to be a ground-up redesign globally. Our ground-up redesign is focused on providing a solution-oriented website that has personalization experience. If we know the context of the user, if we know it is our channel partner that is coming to us, and they sit in the entertainment industry, I should not be showing them my oil and gas industry options. Instead, I should be feeding them my entertainment content. It should offer that form of personalization. Now mind you, we just do not need to service our channel partners, we need to service our end customers. Our website really has to serve both

personas and really bring forward that thought process of, if I am just an end user and I want to figure out why I need a Lodestar chain hoist over a competitor, that content needs to come through and that is the focus we have on developing this website. Additionally, we are putting a really nice analytics engine under it. We need to understand where people are going on the website, where they are not going, where they are staying, where they are not staying so we continually adapt that website. This digital presence needs to bring forward that we are an industrial technology company and that is our focus as it is being developed. That analytics is also a great source of leads for us. If we know what our channel partners are looking at, what they are spending time with, that is very factual activities that we can then push to our sales teams to really follow up and drive that lead activity for us.

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In summary, it is really these three core initiatives that are driving our customer-facing digital transformation. It is Compass, it is PIM and the website, tying it all together to really change the shape of how we present ourselves in our digital presence.

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Thank you. I would now like to introduce Kurt Wozniak.

Industrial Products

Kurt Wozniak: Good morning, everybody. Thanks, Mark. My name is Kurt Wozniak and I have been here 19 years. I am in charge of the Industrial Products group. Mark used the word legacy, I do not know if that means the products or me because I have been around for a while, but I am excited to be here and I will tell you why. It is because we have a clear strategy that is working and we are executing it. We have never been more aligned between the business units and the functions. All of those things you heard discussed just now by Bert, Mario and Mark, are all happening inside the business.

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Let me tell you a little bit about the Industrial Products business and some additional initiatives. The products are primarily hoist, chain, forged attachments, and manual products. We have strong brand names and we have a reputation for quality, safety, and durability. It is serious stuff for doing serious jobs. Lifting heavy things over head is not a small task. You make mistakes there and it is big trouble. We are about 45%, this business unit, of the total company revenue. Primarily, we go to market through general industrial distribution, which is roughly 50% to 60% of our channel. They stock our product, deliver it in quick, which means short cycles to the end user. Also, it is primarily MRO items where the price points are less than $5,000, so it is not capital expenditure stuff. It is day-to-day things to operate the shop floor.

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In addition to general distribution, some key markets are here for us. One of them is infrastructure that continues to grow around the world. A second key one is oil and gas, which aligns very well with who Columbus McKinnon is. They have high specifications, high standards, and certifications. They want western-made, western-quality product, that aligns very well with our Chester brand and other key products. In terms of entertainment, I have a second slide for you a little later on, but that is a profitable niche for us. Fun to play in, and it drives a lot of technology. In terms of power and utilities, not only are people expanding power and utilities around the world as we grow, people rebuild the infrastructure internally within the States. It is not a fun thing to talk about, but when there are weather events or other natural disasters, you lose power for the week, power lines

need to be restrung, trees dragged out of the way. That drives a lot of business as well in power and utilities. Maybe I am the only person who is a fan of global warming or climate catastrophe. I do not know what we are calling it now, and not that I want anybody injured, but it is a great market for us.

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Mark mentioned a little bit about the 80/20 Process, and I will tell you a little bit more. Industrial Products were the first ones out of the gate, and it sounds simple, but tough to execute. It starts with, hey, who are my customers, what are my products. 20% of my customers drive 80% of the revenue, and 20% of my products probably drive 80% of the profitability. In one quadrant, I have these A customers with A products. I should be growing that segment, but I have another quadrant of B customers with B products, which, why am I servicing it, why am I wasting all my energy and overhead trying to do something about it? So, within that process or tool kit, we have four different elements, and I will tell you a little bit more about those in the next slides, but we rolled out this process in North America and we have expanded it to Europe. I have over 20 team leaders, which are not team members, that is team leaders, executing the stuff, and there are more people below them doing this as well. So, it is deep into the organization. The bubbles are trying to give you a sense of how far we are implemented, but there is more to do. Even when we are "fully implemented," you are still going to review the products and the customers to look for more opportunity.

[Slide 50]
Product line simplification starts with looking at the products, where am I making money, and step one, you want to eliminate those bleeders. If I do not make any money, why should I sell it? If it is not worth continuing it, I have to kill it. The second step is, I have other products where I should make more money, and I raise prices. If they do not buy them, fine, I did not make money. If they do buy them, great, I am making more money. However, I can't stop there. There is also what you see in this picture, this transition, where, I can still reduce complexity by transitioning one set of products over to others. You can say, well, Kurt, those are all the same product that does not cost much to make. It is just a different color and label. Well that is still complexity. It is complexity for the shop floor. It is complexity in the order entry process. It is complexity for the sales team. So, you reduce that complexity. We set ourselves a stretch target here to reduce 25% of the SKUs in North America, and we achieved 40%. Great results, more work still to do.

[Slide 51]
The second thing, customer lists simplification. We have eliminated 500 customers. Now you first propose this to the sales people and they freak out. Kurt, how am I going to grow sales if you eliminate my customers. I turn around and ask another question, hey, I would like you to spend your day not visiting the top 1,400, go see Mr. #1,600. They can't even tell me who that guy is. Once you get them over the hump of freaking out that you are going to eliminate some customers, how do you attack that? Well, we are not in the business of firing customers. We give customers options. Nice for me to say as a sales guy, you get options. Your first option is, would you like to pay more? Your second option is, would you like to buy more? The third option is, would you like to buy it from somebody else that carries it on my behalf? Again, you say what are you doing getting rid of customers. Think about 1% of our revenue represented by 27% of the customers. In some cases, that is an annual spend of $2,000. That is a hoist. He had a need, he called me up, and I sold it to him. I was going to get that sale somehow anyway. So, I might as well redirect that person to another channel partner and deliver on it that way. This reduces complexity and overhead. Also, it has changed the pricing profile and added profitability. It's been a great success.

[Slide 52]
The third thing is our priority accounts and raving fans program. That is leveraging what we started with availability and responsibility. You may have heard, Mark mentioned two years ago, we had a Tiger Team working on strengthen the core, availability and responsiveness. We expanded that with our core values in to be easy to do business with. This program takes it to another level. You go back to that list of A customers, A products, who are the important customers that I want to keep. How do I want to grow with them? It starts by identifying their pain points. How do they want to be served? How do they get to the top of the queue with quick quote turnaround, application engineering support, and quick delivery times? We aligned our sales team and our operations team. We have put metrics in place to measure that. We go out to the customers and say, hey, this is our view on how we are doing. What do you think? When they confirm that and agree that we are doing better, now it changes that whole nature of the dialogue. I am no longer going on the apology tour where, hey, Mr. Customer, let me answer your list of 17 problems I gave you. We are not talking about problems. Now we are talking about opportunities and how we are going to grow. And with the accounts that we have set up, twelve across the globe, we have grown 25% in revenue on average with those twelve accounts, which again is a big success story with this program. Now, a part of that program is that they give us feedback how to grow, and that is the next slide.

[Slide 53]
Another initiative is strategic accounts. They said, Kurt, for some of us where we have national and international footprints, it is all about what happens at the branch manager level. It is fine for you to show up at a corporate level and try to sell me something, but it is these branch guys that have to make inversions out in the field and do business. So, we have set a sales force up by reconfiguring some of our current resources, and we said, where we can go in the market together. I could tell you, MSC has no interest in trying to convert somebody else's product to mine if they already have that account. I have no interest in going in with them and taking business I already have and giving it to them instead of another partner. However, we find win-win opportunities out in the field, work on those conversions, and then once that is set up, we are driving end-user pull back through to the system, back through the channel. So there is great feedback and we will have good success there.

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Another key item is our entertainment industry, profitable niche. Well, why do you focus on it? First of all, the honest answer is, it is fun. If you go to a concert and if we are there together while you are looking at the show, I am looking up at the ceiling. Somehow all this stuff has to get in the air. Columbus McKinnon was the first company to build the hoist upside down. It may sound easy, it was not at the time. Rather than drag that heavy thing up into the ceiling, put it on the truss system, drag the chain up in the air, lift it up, put all the speakers, all of the lighting on it, lift it up further, finish it off, and take it up to the top. That industry is even more severe and challenging in terms of requirements. They want 8:1 safety factors for design. You certainly cannot lose a hoist in production or drop a load in production. That would be bad when you are in an industrial setting. Imagine that happens at a show. Suddenly the place goes dark and people have to walk out or heaven forbid, imagine all this heavy stuff over performers and something goes wrong. This is serious stuff, and that is why these folks love it so much that they tattoo these products on their arms. Crazy stuff, but they love it. It also drives innovation into the rest of our business. Some of the things you heard Mario talk about, these folks want automation-ready products. They want load sensing. They want other technology to make that show more sophisticated. Every time you go, what you and I used to see when we were very young, concerts are more sophisticated than

they have ever been, and shows are more sophisticated. It is these types of products that help deliver those solutions.

[Slide 55]
Then the last thing I will mention is channel enrichment. When I described it, it was going to sound like availability. Kurt, this is basic blocking and tackling. It is your channel services team. It is customer service. Why is this an initiative for you? Well, we co-located people in Getzville. We had a small presence of customer service folks in North Carolina. We had one in Canada, in Brampton near Toronto for the Canadian market, and by co-locating those resources in Getzville, we were able to better manage, offer better services, implement new tools and processes to deliver better value. This is the key team that drives that priority account and raving fans initiative. It all starts with the channel services team.

[Slide 56]
So in summary, on the last slide here are all the initiatives for the Industrial Products group. I did not talk about them all within my session, and why? Because again, Mark, Bert, Mario, all align between the functional teams and the business units to deliver that value. Good foundation with a solid strategy is what is driving results, and we have a great base to continue to drive further results.

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So with that, I will turn it over to Pete McCormick, Vice President of Crane Solutions.

Crane Solutions

Peter McCormick: Thanks, Kurt and good morning, everybody. As Kurt said, I am Pete McCormick and I am the leader of our Crane Solutions group. I joined Columbus McKinnon in 2015 through the acquisition of Magnetek where I was the CEO for eight years. More recently, I led the integration of the STAHL Crane Systems business. Through these two acquisitions, it has really created the foundation of our Crane Solutions group. While I am really proud of what we have done at Magnetek and what we have done at the STAHL Crane Systems business, bringing these businesses together along with the Columbus McKinnon wire rope hoist business to create this Crane Solutions business really excited me. You will see as I go through my presentation, I think there are a lot of opportunities that really bring forward those opportunities as well.

[Slide 58]
The Crane Solutions business makes up a little less than half of our overall revenue for the company. This past year has really been transformational for the company. It is really the first full year that we have pulled these different companies together since the recent acquisition of STAHL Crane Systems, Magnetek, and also our wire rope hoist business. We are different from the Industrial Products business in that our focus is really on providing a complete crane solution versus selling individual products. We primarily sell to the crane builders, although we really spend a great deal of time at the end users, helping them solve high-value problems, and the end result is we get end-user specification, which really helps pull our products and our solutions through their business. Because of the age of our business, our manufacturing process is really highly engineered, and it is really a build-to-order type business. When you pull all these things together, it really gives us a giant leap into what we are calling the industrial technology business, high margins, and high value-add solutions to our customers.

[Slide 59]
While we participate in a lot of aspects of manufacturing, there are really four markets that I wanted to highlight today where we see some really good growth opportunities. The first is in power and utilities. There are really three sub-segments that I want to highlight. The first would be, we provide controls into nuclear facilities, and these are very complicated crane systems. They are obviously moving things around a nuclear facility so they are relying on high quality and high reliability. It is a good market for us working with companies like Tennessee Valley Authority, Duke Energy, and companies of that nature. The second area is in hydropower systems. This is really all the hydropower dams throughout the United States. The third segment of power and utilities is waste to energy. These are companies that are taking waste and converting it to energy. Companies like Covanta which entrust us to help them develop automated solutions in order to help improve efficiency at those facilities. The second industry is metal processing. Here, we are really focused on steel mills, companies like Nucor steel, Steel Dynamics, and U.S. Steel. These are all end users that partner with us to help them make their facilities more operationally efficient. The third area is aerospace and defense. We are really helping where our systems are used to help transfer product in and out of their assembly areas. In aerospace, this would include companies such as Boeing, Spirit Aerospace, and then the defense, it is really companies like Steel Dynamics, Lockheed Martin, and the U.S. Navy, building ships. The last area is oil and gas, petrochemicals. We are seeing a strong growth in the Middle East oil and gas market, where we really can leverage some of our capabilities. You heard Mario talk about explosion-proof capability. Here we are working with companies such as Saudi Aramco who have partnered with us in being able to do explosion-proof applications.

[Slide 60]
Let's look at our business on how we are prioritizing and there are a few key things that we need to focus on in order to drive results for this fiscal year. You have heard Mark talk about the 80/20 Process, Kurt talked about how it is being implemented in Industrial Products. For the Crane Solutions group, we are using the 80/20 Process to help simplify our business. We are focusing on kit cranes, product rationalization, and digital tools. From an improving productivity standpoint, we are working with our operations team to really look at footprint optimization. If we can reduce our footprint, it is going to allow us to focus on centers of excellence for us, using our Wadesboro, North Carolina facility for the U.S. market and our Kunzelsau, Germany facility for our European market. It is going to allow us to leverage that. When we look for growth opportunities, there are two areas where we see good growth opportunities. First of all, in kit cranes, and the second one is in automation. I am going to talk a little bit more about each of those in a minute.

[Slide 61]
We have really come a long way in this past year, and our focus is really on becoming a global Crane Solutions powerhouse. Looking at the 80/20 Process, you have seen the chart that Kurt put up and you could see that he is far along in this process. However, for the Crane Solutions business, there are two areas that we have been working on. The first is in product line rationalization. As Mario mentioned, we have taken our wire rope hoist platform from ten different platforms down to five. That has been a big effort of ours and this now allows us to have a global platform that we can leverage worldwide. The second area of focus for us has been geographically. You can see, North America has been our primary focus of implementing the 80/20 Process.

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As we drive towards one Crane Solutions group, we really needed to start to come up with a common platform. You can see on this picture here, we started with over ten different wire rope

hoist platforms, and over the better part of last two years, we have been working on reducing that from ten platforms down to five. Now, we are creating a global branding strategy and with this common platform, we can really leverage our branding strategy throughout the world. As we look at it, we are using the Yale and Shaw-Box brand as our standard platform. When you get into higher capacity, explosion-proof, specialty-engineered hoisting, we are going to use the STAHL brand. This really positions us well as we get into this kit crane market that I am going to talk about and how we now have all the things in place to go leverage that business.

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The new platform really offers a lot of different capabilities for us, but in general, we get a higher quality, more features, and lower-cost product. For example, we have more than doubled the lifting capacity throughout our wire rope hoist platform and features like adding explosion proof throughout our platform as well. The other hidden advantage is that having fewer platforms allows us to provide a high level support. We can increase our responsiveness, and we can really leverage our buying power by having fewer platforms where we are using or producing a much higher quantity. It really helps position us as we move forward.

[Slide 64]
When we look at productivity, Bert talked about exiting our Salem, Ohio facility. That was a process that went through over the past year where we are taking what we are doing in the Salem, Ohio facility and moving that to our Wadesboro, North Carolina facility. This allows us to create the center of excellence. Now our Wadesboro, North Carolina facility will be our center of excellence for the North America wire rope hoist business. In Europe our Kunzelsau facility, which was the historic STAHL Crane Systems facility, will now be our center of excellence for the European market. For our power control systems, our Menomonee Falls facility will be our center of excellence. This allows us to leverage our expertise in a single regional location. We have also moved into a new facility for our workstation crane business which is really helping drive efficiency, collaboration, but more importantly, it is a showcase for some of our automation capability as well. We have created a demo center where we can demonstrate some of the automation capability that we have created. I had mentioned that this business is heavily engineered. One of the things we really need to focus on is driving and reducing our engineering lead times. Anything we can do to reduce the time it takes from when we talk to our customer to help them design their solution to get it back to them will help drive growth in this business.

[Slide 65]
Finally, we are leveraging our functional expertise to drive world-class performance. You have heard Mark and Mario talk about kit cranes and you have heard them talk about these configurators. What I would really like to explain is, what we mean when we talk about kit cranes because we believe this is one of the biggest growth opportunities for the Crane Solutions business. My analogy is like baking a cake. You can either bake a cake from scratch where you go and get all the different pieces, you put this together and you create your cake or you can buy a cake mix, so to speak, where all the pieces are brought together and you can make the cake. Historically, what happens is the crane builders would have a group of engineers that would design the crane system. They are designing the girders and all the components to go on, how big it is, and how much it has to lift. They are doing it all manually through all the calculations they have to go through. They have to have expertise in how to design cranes and then they go out and source all those components from different companies. They buy the hoist from one person, they buy the pendant stations from another, and so forth. Basically, they have to go to all these different companies, get all these components, bring them in and ultimately they build the crane. Now, we can do all that for them. This picture illustrates what we call a crane kit and where the customer

now can go on using these configuration tools that Mark Paradowski talked about, and that actually does all the engineering, all the calculations for them. The end result is they get drawings that show exactly this is your crane, here is how the high beam should be made, and here are all the different pieces. This generates a build material, so they basically can hit a button, and now what comes to them is a kit. An example of a kit is shown here. You get the hoist, you get the festoon, you get pendant stations, and you get basically everything that goes on the crane other than that steel girder. That is what the crane builder provides which is a pretty powerful tool.

This allows us to penetrate this mid-tier market. As we look at this mid-tier market, a portion of that mid-tier market is buying these kit cranes. Right now, that market is dominated by one company called R&M, which is Konecranes. This the market that we think we can go after. What this does? It significantly expands our addressable market by over $300 million. This has been a focus for us and we think it is a good growth opportunity for us. We have added resources in product management and engineering to help us drive growth in this area.

[Slide 66]
The other growth opportunity is in automation. We have led automation in overhead cranes for years now through Magnetek's power control and automation systems. By adding some level of automation to the cranes, it increases operational efficiency and safety. With all the labor shortages, the payback on the investment is really easy to justify. This is going to be a really big focus for us this fiscal year and as such, we have added a lot of resources in automation software engineers, product management and product development to really help drive growth in this automation sector.

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As I have talked about these different things, we are uniquely positioned now, pulling together what we can do with the STAHL capabilities, the Magenetek capabilities, along with the Columbus McKinnon capabilities. We are uniquely positioned to provide the complete crane solution from a single supplier, from a team of experts with the most advanced products, all engineered and tested to work together. We have come a long way in the past year to become a global crane solutions powerhouse. This model is working, and we are taking market share from our competition.

[Slide 68]
In summary, I want to highlight the key things that we need to focus on to drive results. We are going to continue to drive the 80/20 Process to help simplify our business. We are working with our operations team on footprint optimization and improving productivity. The growth opportunities we see are focusing on the kit cranes and automation. It really positions us well to serve our customers high-value motion control needs.

[Slide 69]
Thank you and at this point, we are going to take a brief 15-minute break, Deb.

Deborah K. Pawlowski: Yes. Thanks, Pete. At this time, we are going to take a quick 15-minute break. I would ask that you all get back in your seats at that time, and our webcast participants can listen to music until we come back.

[Break]

Deborah K. Pawlowski: If everybody could please find your seats, we will get started again.

[Slide 70]
We will begin with our next speaker, Appal Chintapalli, our Vice President of Engineered Products. Go ahead, it is all yours.

Engineered Products

Appal Chintapalli: Thank you, Deb. Welcome back. Good morning, everybody. My name is Appal Chintapalli. I am the newest member of the management team. I think next week, it will be three months since I joined. I started out at IBM and then B School and then went to Emerson. For the last 13 years, I have been with Emerson. The last six years, I have been in Europe, two years of that in London and four years in the Munich area, running an industrial business similar to the one that I am running now. I am responsible for Engineered Products. Today, I will try to give you a picture of the products we make, the projects that we are working on with customers, and the key priorities for the business as we move forward.

[Slide 71]
Engineered Products make up the smaller piece of the overall Columbus McKinnon portfolio. We make electromechanical and mechanical actuation products. If you were to visualize, for example, this is a naval gun with actuators at the bottom that move it up and down. This other one is a conveyor belt that needs to be tilted and that is the actuation there. Heavy loads whenever they need to be moved, lifted, positioned, are the applications we are in. The last one is an iron ore smelter. The ore has to be dumped into the smelter and our actuator lifts the load into the smelter. We have a lot of stickiness with our products because these are special applications and customers come for that.

The other thing that is different about the business relative to the other businesses is how we go to market. We work with a lot of engineering people. We do go through channel, but we create a lot of demand where customer engineers will talk to our engineers, where we create a custom solution and fulfill it through our channel. That is generally one thing. The other thing is we also participate in a lot of OEM machine building applications, where somebody is building a specific machine to do some engineering work or lift and we will become a component into that machine.

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Like the other businesses, we have a lot of exposure to the general industry, paper production, process engineers and metalworking, metal processing, oil and gas, and for rail. We will talk a little bit more about rail, but that is a big niche for us. We have a lot of strength there and of course, automation. A lot of robotics, autonomous guidance vehicles, smart parking, and things like that. In general, from a growth standpoint, this side of the chart probably grows 3% to 5%. On the other side, it is about 10% to 15%. Overall, we participate in both kinds of the spectrum.

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Furthermore, we are uniquely positioned, more because of the quality and reliability of our product, as well as our engineering capabilities. We are very uniquely positioned to target these spaces. If you think about what drives these marketplaces, there are a few secular trends. For example, there are many ways to move things, you can use hydraulics, you can use pneumatics, you can use mechanical, but there is a trade-off. We see a shift away from pneumatic and hydraulic actuation largely because they are harder to maintain and have a much higher cost of ownership. Also you need high reliability. If a pneumatic or hydraulic actuator leaks, then the load can go down. In general, there are lots of risks there. People use our mechanical products primarily because they are very reliable and they will safeguard the load and the personnel safety.

As you all know, there is a lot of automation going on, but clearly on factory floors whether it is things being moved automatically using self-driving vehicles or people using special robotic arms, et cetera. All these use some amount of our technology and that is a big trend we see.

In general, I think on the factory floor when you have a piece of equipment like ours, it has to be maintained. It cannot go down because if it goes down, there is a huge amount of productivity loss on the factory floor. So, reliability and maintainability are huge factors in terms of customer choice. Of course, they want to use our applications in all kinds of environments. For example, an offshore rig, the actuator cannot get rusted. Recently Nestle, that makes all the lean cuisine, used our products to move the food up and down or mix it. Because there is water, our product cannot rust. There are also lots of other hygiene reasons that our product has to work in. Those are clearly environments where we see a lower total cost for ownership drives a lot of these decisions. We are uniquely positioned, from an actuation standpoint, to address these markets and these drivers.

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A flavor of the projects that we are currently engaged in or historically been working on is rail. Just think about a train. A train is maybe a couple of football fields long, weighs millions of pounds, and needs to be repaired or maintained frequently. In order to do that, somebody has to go underneath the train because all the equipment is underneath. Sometimes now, new trains are coming where equipment is also on the roof. So, the train has to be lifted and it cannot be tilted. It is very huge amount of load and it has to be lifted with precision. It has to be lifted almost to a 2-millimeter precision and that is what we do. That is our expertise and we have a huge amount of reputation and strength in this marketplace. We have global projects in India, China, Korea, and Australia. We have lots of projects, and we are seeing a very strong pipeline in this business. These are long cycle, because you will win the project now but it will take about a year because so many other things have to come together and those are the projects we like. There is significant lifetime value in these projects because it is not just the upfront, but you maintain it, you provide parts, you do a lot of things over there, and these last for ten or 20 years. Particularly in Europe, we are very strong and we put a lot of things in India. Similarly, this one is in India and that is in Germany. We are also now starting to provide the platforms to go on top of the trains.

[Slide 75]
The next project, and I think this is one of our favorites, is KUKA. Many of you know KUKA, which is one of the leaders in robotics. It is amazing to go to one of their facilities. If any of you have a chance to go, please go. It is amazing to see robots making other robots. For instance, one of their offerings is this autonomous guidance vehicle. They have all kinds of autonomous guidance vehicles, and this is one of them. This particular project is for a factory floor that makes cars. This vehicle essentially moves different elements of the car along the assembly line. We provide the lifting mechanism that is housed inside this vehicle to move the payload up or into position. We are getting a lot more traction in these projects. We are talking to other AGVs, because as we expect that the AGV world will become more and more prevalent as service robots deliver stuff that also requires lifting and moving forward action. So we think we have a lot of promise in this, and we are working with a few suppliers.

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The next one, we are excited about, is a real project, which is about smart parking. This is a project in the Middle East. Here, the expectation is that a customer would come in, pay, push a button, and his or her car will be automatically moved into a parking stack. This will all happen completely autonomously and the gears, the equipment, the lifting action, are all provided by us.

We think that these projects will become more and more common, not just in the Middle East, but maybe in congested areas or new urban areas. We are excited as we have a unique solution for these. It is interesting because we are not inventing new physics or new mechanics here. It is the same thing, but being applied in a very modern context.

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The other thing that we are seeing a lot of traction with are broader types of systems. This is an actual platform to repair and maintain a Southwest Airline plane. Each of those platforms can be moved in different positions, so that people can access the equipment on top of the airplane. Here we are selling not just the actuation system, we are also selling an overall control solution. Variable drives from our sister divisions at Magnetek, for example, and we are taking care of the whole maintenance problem. We are seeing this getting traction not just in airplanes because the buses and trains are also having equipment on top. In all these kinds of applications, we will see more and more of these platform systems with a lot of flexibility to move different things in different ways. That is what we provide.

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These give you a flavor of the project systems that we are offering to the marketplace. You can see that we have been growing pretty significantly above market growth rates and clearly gaining share here without adding a lot of cost. We are excited to continue this momentum as we move forward, and we expect to do it primarily with two fundamental modes. One is to go into markets that we are not going after today. For example, we are strong in Germany, but when we get out of Germany and Europe, we are not that strong. That is an area that we can definitely get traction in. Similarly, in Asia Pacific we do sporadic projects mostly with multinationals, et cetera, but a deliberate targeting of the marketplace, understanding of customer needs and creating product portfolio for those, we have not done yet. This will be a big focus for us as we move forward.

The other element, as Mark Paradowski talked about, is just becoming modern in terms of how the customer wants to interact with us. Whether it is the website or configuration tools, it is about all the things that a customer wants and expects to do online with our product lines and how they want to interact with us. That is the Compass initiative which we expect to get a lot of traction from. As we do other things, I think that becomes a really more important and critical part of the business.

While we are pursuing growth, we also are working on our 80/20 approach. The other businesses have already done it. So, from the other businesses, I have a lot of expertise that I can glean from and benefit from. I am just starting it. In Q1, we just did the basic characterization of our customers, pricing, and products. The next step is to implement some price actions and then slowly work iteratively into simplifying our products as well as elevating service to customers based on how loyal they are to us and how much volume they spend with us or buy from us because we want to treat customers who are loyal to us and give us much of their business differently than customers who do not do that. That is a big part of the 80/20 Process, and we are excited to deploy it. We expect that by the end of the year, we will get the first round out and get good results out of it.

[Slide 80]
From an operations standpoint, we are continuing to do a lot of things from facilities, people, and systems. Bert said it earlier that this business is a lot of lead time driven business and nobody does it well. We have had our struggles, but we have made progress. For example, this is an initiative of how we have improved particularly standard products. We do a lot of heavily

Engineered Products, but if somebody comes for a standard one, it should not go through engineering. So, we implemented a speed line where an order comes in, without any interaction, it directly goes to the plant, a dedicated area. Both in Germany and in North Carolina, we have these cells that will get the product out of the door to the customer in three days now. Previously, it took ten days. This is going to be highly differentiating for us and I think it will help us really get streamlined in how we approach the customer and say, "Hey, it is your standard, it is the way to go." Another possibility is to offer standard when the customer's priority is lead time versus engineering. We want to do those trade-offs and we will be able to do that.

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In summary, simplifying the business and doing the 80/20 is a top priority for me and top priority for the team. Improving our productivity we have been doing well with respect to growth and cost. I think there is lots more to do from an operations standpoint, lead-time standpoint, factory optimization standpoint, but we are going to work on that. In terms of growth, targeting new geographies and getting our products into the innovation dimensions that I talked about earlier and also doing the online configurator, et cetera, will help us.

The reason I came to Columbus McKinnon is all the transformation that is going on. I am excited about that and excited to be a part of that. I have a lot of global expertise that I can bring to the table, and I think really transform the culture, which if you do all those things, it will happen automatically.

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Thank you, and I look forward to any other comments or questions. Let me introduce Greg, who is our CFO. He is going to take us through the next set of charts. Here you go, Greg.

Driving Earnings Power

Gregory Rustowicz: Thank you, Appal. I am Greg Rustowicz, the CFO of Columbus McKinnon. I have been the CFO for about eight years. Previous to that, I spent 20 years with PPG Industries out of Pittsburgh, a blue-chip Fortune 200 company, five years with Momentive Performance Materials, which was GE's advanced materials business that was spun off to private equity.

What I am excited about is the transformation that the company is undergoing. If I look back over my history with the company, we have really moved in the last couple of years to a performance-based culture, and we have an excellent strategy that is right for Columbus McKinnon at this point in time.

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Let's take a look at our financial performance over the last couple of years. As you can see on the chart, we have had excellent financial performance since we began working on our Blueprint for Growth strategy. We have grown sales $239 million over the past two years, and we have also grown EBITDA $61 million. Our adjusted EBITDA margins have moved from 11.4% to 15.1% and our return on invested capital has increased 480 basis points from 6.4% to 11.2%.

When Mark and I rolled out the Blueprint for Growth strategy in January 2018, 15% EBITDA margins was our target three years out and 10% return on invested capital was our target three years out, as well. As you can see, we achieved those objectives within a year.
As a result, we have recently increased our markers for three years out to be a 19% EBITDA margin and mid-teens returns on invested capital.

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How are we going to achieve our mid-teens return on invested capital and 19% EBITDA margins? First and foremost, we expect the 80/20 Process is going to deliver about 300 basis points of margin improvement over the next three years. The process is now part of our standard toolkit, and it will continue into the future. While it will eventually have diminishing returns, we expect substantial margin contribution from the process as we focus on the bleeders and the profitable growth opportunities.

Operational excellence will deliver about 240 basis points of improvement in EBITDA margins. This is being driven by the initiatives from Bert Brant that he covered, including material productivity, overhead reduction and further consolidation of our manufacturing footprint. It is important to keep in mind that 80/20 is an enabler for the operational excellence initiatives.

Ramp the growth engine is expected to add about 50 basis points of margin improvement as we focus on higher margin opportunities that Mario covered. This includes more engineered to order, automation and higher-margin new product development opportunities. All of these initiatives will more than cover any expected inflation and tariffs that we would expect. This is our roadmap to getting to 19% EBITDA margins.

[Slide 85]
Let's take a minute and talk about free cash flow generation. One of the hallmarks of Columbus McKinnon has been its ability to generate cash throughout the cycle. With the strategy we have discovered today, we expect to generate significant cash flow, which will allow us to continue to de-lever the balance sheet in fiscal '20. As you can see, over the past three years, we have generated about $168 million of cash, and we expect to generate between $240 million and $255 million of free cash flow over the next three years. We have paid down about $125 million of debt over the past two years, and we have achieved a net leverage ratio of 1.7x, which is better than our net leverage ratio target of 2x that we set for the end of fiscal '19.

We will continue to utilize our excess cash flow to pay down another $65 million of debt in fiscal '20. By doing so, our net leverage ratio is expected to be down to about 1.1x by the end of fiscal '20.

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Let me now spend a few minutes and talk about how we view our capital allocation priorities. With the free cash flow we expect to generate, we will continue to de-lever the balance sheet in fiscal '20. We are also going to invest in growth initiatives like new product development, which Mario covered in his presentation, as we double our R&D spend over time.

As we advance into Phase III of our strategy, we will identify potential M&A targets, which will further transition us into an industrial technology company. Finally, we will return excess cash to shareholders via regular dividends, which we just increased by 20% recently. If valuation anomalies present themselves in the market related to Columbus McKinnon stock, we now have a $20 million share repurchase authorization that we can use.

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As we think about Columbus McKinnon's performance, we are committed to driving top quartile performance at our key financial metrics against the strategy relative to a peer group of industrial companies that we benchmark against, which are listed on the bottom of the chart. Let me take a

minute and explain this chart. The dark bars represent the quartiles for these 20 companies and the numbers in the quartiles represent the median levels for the companies within the respective quartiles. As you can see, we have made tremendous progress over the past two years, and we have moved from bottom quartile performance to third quartile, and now second quartile performance from an EBITDA margin perspective, and we have improved our return on invested capital to third quartile performance. With our Blueprint for Growth strategy, we will move much closer to top quartile performance. However, as you can see, the trading multiple has not kept pace with the improvement in our financial metrics, so we believe there is a valuation gap with our diversified industrial peer group and that should close as the company continues to perform.

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Now, what does this mean from a stock perspective? If you look at our stock price as of March 31, 2019, which was our fiscal year-end, we were trading at about $34.35 per share, which was a multiple of 8.6x LTM EBITDA. We think there is an opportunity for the stock to get re-rated to a higher multiple as we demonstrate the value of our strategy. With the expected growth in earnings over the Blueprint for Growth time frame and with no change in our current multiple, we would expect about a $60 stock price over a couple of years. However, as you can see, we traded at about a 3.5 turn discount to the S&P 500 industrials, even though our margin profile is comparable to that. If we were re-rated to the S&P 500 industrials multiple of 11.9x EBITDA and with our projected performance, we could expect an $80 stock price in three years. As we continue to implement our strategy and move into Phase III and become more of an industrial technology company, we could expect even further margin expansion.

[Slide 89]
One of the questions at the top of mind for most investors is recession preparedness, and how will we perform in a recession. We are not predicting a recession, but the pathway we are on better prepares us for one. While we are doing well in the current environment, our job is to outperform relative to prior recessions. I would like to point out that the company has undergone some dramatic changes that will help it perform better than it has historically performed.

First, the portfolio of the company has changed significantly since fiscal 2008, the Great Recession. We have divested cyclical, less profitable businesses that represented almost $115 million of revenue in 2008. We have also acquired several profitable businesses, including STAHL, Magnetek and our Pfaff business out of Germany that today represent 43% of our revenue. The core of Columbus McKinnon is definitely a stronger, more resilient business. Secondly, all of the activities that we have undertaken as part of Phase II will also help us outperform our historical performance in a recession that is why we are moving as fast as we can to advance Phase II of our strategy. We are being proactive in getting ready for the next recession and our strategy is the right strategy to do so.

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In summary, we believe that we have a good roadmap to get to 19% EBITDA margins and mid-teen ROIC levels in fiscal 2022 and we are committed to do so. We have a long runway of improvement opportunities that we have laid out today that will grow margin in a low-growth environment. Our 80/20 Process will deliver significant margin improvement as well our operational excellence initiatives that Bert covered earlier. We will also benefit from higher-margin, new product development projects and our continued emphasis on engineered to order opportunities. With our free cash flow, we plan to hit de-levering hard for one more year. We will have a well-positioned capital structure with lots of dry powder as we move into Phase III of our strategy, which Mark will now discuss. [Slide 91]

Further Pivot: Blueprint for Growth

Mark Morelli: Thank you, Greg.

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Let's chat about Phase III. It is obvious that we are fully centered on executing Phase II. Phase II has a lot of legs to it, tremendous amount of traction we are getting, and an excellent runway. However, we do need to think about Phase III. Phase III is more about M&A. Some portfolio analysis, but clearly what are we going to do with all this cash? We think of an excellent return on cash as the acquisitions we have done with STAHL as it was tremendously accretive in the first year, and we think there is a lot of growth potential that we can also deploy in M&A as well.

Let's talk about that. How are we thinking about it? I can tell you, we have not fully started it, we are just beginning it. We have done some more on thinking through what our growth narrative is, what are the spaces that we are interested in and how do we see our growth evolving, but we have not fully deployed here, we are not running out to go do an acquisition tomorrow. That is not our major focus right now, but we have to prepare for that because that day will be coming and it takes some time to make sure you do the necessary homework to execute well.

Let me give you some thoughts on how we further pivot. One thing I do want to remind you is this phasing is not a start-stop. It is more of a layering. We are continuing to do the great things that we started in Phase I, such as the first elements of the operating system. We have layered onto it Phase II. As we go to Phase III, it does not mean we are stopping Phase II, it means we are layering on Phase III. We are building those competencies into our business and how we do business. Please think of it as a layering strategy, not a start-stop strategy.

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One of the major drivers that we all see is the automation one. Industry 4.0 has been much talked about and I think it is getting through the hype stage into reality. One of the major drivers for that, as we know, is labor shortage. It is tough to bring folks into your factory to be a machinist. It is not where young people tend to want to go these days. So, it is hard because getting the right labor to do the things you need to do in operations is more difficult than ever.

At the same time, the price and cost of computing is dropping, the price of sensors is dropping and so the confluence of both of those mean that people want to eliminate labor. They want to focus on productivity and the way they do that is through automation, taking the labor out. That is how you become more productive. That is how you can convince CFOs to continue to spend money when things start to slow down in the market. If they can get a good return on investment, displacing labor through automation is an excellent return on investment even in slowing markets. Productivity is a major driver for this, and it is a major driver for us, as well, when we think about growth opportunities.

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We have done a lot of work here in terms of just thinking through what does not fit. As you know, we have divested three businesses recently. Those three businesses, one did tire shredding, which was not core, not a strong financial performer, not growing, top line, and had no synergies with us to grow. One was a crane builder. We actually do not build cranes. We sell the smart components as part of the crane. The cranes are built by our customers, our channel partners are crane builders. That tends to be a lower-margin business, tends to be very local to customer, very mom and pop-driven, and we do not want to compete with our channel. We owned a crane builder

in the Midwest, makes a lot of sense, very small business, not core to us, why compete with your channel, better to shut that business, not core. The third business was not a large business, but we forged large hooks in Europe. We acquired that not too long ago, but it did not have the right channel synergies with us. We did not have the right manufacturing synergies, and it did not have the margin profile for growth. It was not a good acquisition for Columbus McKinnon, and so we recognized that and we've cleaned that up accordingly.

These clearly represent an opportunity that thinking through our portfolio, operating the business has afforded us. It also means where are the areas that we want to grow, so let's talk about that.

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There are two areas for growth when you think about M&A and they are very similar to what Mario talked about in terms of organic growth. There is a lot of legs for us to continue to expand as a lifting specialist. What this means is, there are lifting opportunities out there that people need to have done in a very specialized way. They tend to pay more to be able to do that type work. It might be because it is heavy. Our expansion for what we do in terms of being a lifting titan is significant. It might be a hazardous environment such as explosion protection, where we have a market-leading brand and market-leading capability. There are other folks out there working in those type spaces that are good adjacencies to what we already do. Also in hazardous environments, you have heard some dialogue around that. We also operate in just generally hazardous environments or corrosive environments, where folks need either lifting or actuation to be able to withstand those corrosive environments. Those are excellent higher-margin opportunities for us to continue expanding.

We view ourselves as a lifting specialist, and these near-term adjacencies can expand our addressable market to $400 million or $500 million and it leverages what we already do today. It leverages our brands, it leverages our engineering expertise, it leverages our capabilities. If the right acquisition comes up at the right price, it will be an excellent fit for Columbus McKinnon. We fully intend that this will be one of the pillars of M&A that make a lot of sense for us. There is a lot of fragmentation out there and a lot of things that represent good opportunities. We are a profitable niche. There are great adjacencies to continue to grow this profitable niche as a lifting specialist.

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The second area, we talked about and this part of our growth narrative makes a lot of sense because we leverage what we already do. Think about it. Our customers have already hired us for doing specialized hard-to-do work in their factories. Now they want to automate, why? They want the productivity benefit. They are willing to pay for additional safety benefits. It is not like we are breaking into automation from the ground floor, where the new folks on the block, a start-up company. We have long-established brands that our customers trust and they rely on us. They just want us to do more.

We have invented many of these applications in terms of anti-sway patents, already. We have a great footing. What is happening is that folks are asking for it more and there is demand more for this type application. As a result, we are seeing this growing. Of course, this means more software engineers and building out more of this capability. This natural growth area is also a nascent area for growth, where there is a lot of fragmentation, a lot of startup-type activity. There are a lot of folks making progress here that are good adjacencies for us, where we can already bring a competency, bring a presence in this marketplace, and also do bolt-ons around this. It is a great growing opportunity, it is more nascent, but it is a great growth opportunity for us to think

about from M&A. It is higher growth and what we also are seeing in some of our other businesses as well.

So now of course, the thing you got to be careful here is price points, and we have to be careful on that too, but if you uncover the right vertical made in the right area, that is the stuff we will be looking for. As a lifting specialist, it is more opportunistic and this is much more an outreach in trying to uncover those opportunities that might exist in terms of smart movement.

Hopefully, you have an appreciation for how we are thinking about growth as we further develop our plans. We do not think we should create the expectation that we are going to go out there and leverage our balance sheet. At the moment, we are continuing to pay down debt. We see a good year of continuing to pay down that debt and to strengthen our balance sheet, but we will also be looking more towards this M&A as we go more into Phase III.

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In summary, hopefully, you can understand from today's presentation that Blueprint for Growth is the right strategy right now for Columbus McKinnon. We are getting tremendous growth from Phase II in terms of bottom line. If markets continue to weaken, it is exactly what you want to do. By the way, we are not in the business of predicting recessions, we are in the business of making sure we optimize the company in all market cycles. However, what do you do if you believe there is a recession? 80/20, every day and on Sunday you do 80/20 as fast as you can, because 80/20 is going to help you shed those bleeders that as you go through a downturn, you know what a bleeder looks like in a downturn, much worse than it looks like when the markets are good. So, you shed them as quickly as you can.

What you do, you go after 80/20 as fast as possible. Our business talks about this a lot. We are going as fast as we can go as we build out our competencies and we take that internationally. Blueprint for Growth is our primary change mechanism right now and step two in our strategy is the most important thing that we focus on. The right strategy right now.

Hopefully it is clear to you that we are building a stronger business with this management team. We are executing very well with the opportunities that are in front of us. We think we are outperforming the market. We think we are gaining share. We are grabbing hold of a very clear strategy with the right toolset and the right management team globally. We are making a lot of progress, and we want to continue that momentum to continue to execute well.

The other thing that is hopefully apparent from our conversation today is this is not the same Columbus McKinnon that went through the last downturn. The portfolio has changed in terms of businesses and the businesses are stronger with 80/20. We believe this represents a lower risk-return profile as we enter into slowing markets.

Overall, I think the team is executing well. I want to thank our colleagues globally, the folks here in the room that are carrying out what I believe is extremely good work, and we have a lot more work to do. There is tremendous runway with Columbus McKinnon and the path that we are on to deliver shareholder value and value to our customers.

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So with that, I would like to open it up to Q&A.

Question and Answer

Deborah Pawlowski: I will ask the audience to hold your question until you get a mic so that the webcast audience can hear the question.

Jonathan Tanwanteng: Jon Tanwanteng from CJS. Greg or Mark, could you tell us how much of Phase III and how many more factory consolidations maybe is included into that fiscal '22 target that you have, because I did not see it in the actual waterfall chart to get there?

Mark Morelli: Yes. Let me start off by answering that question and then I will let Greg answer as well. We actually do not talk about factory consolidation before we do the factory consolidation because we have a lot of folks that we have to think about in terms of how we prosecute our business as well as what opportunities that might represent. I can speak generally that we believe there is a good opportunity to improve our dollar per square foot, both in terms of the overall footprint, but also in terms of the footprint that we end up keeping, because part of the strategy that Bert talked about was that we are getting out of some of these noncore processes, which means that you free up more floor space. There are two aspects that might lead to increased dollars per square foot, one of which is 80/20. A prime example of that was we rationalized our wire rope hoist platform. We have nothing against Ohio, we love Ohio, but it turned out that the product that we are obsoleting happens to be made out of our Ohio facility.

So as a consequence, 80/20 thinking led us into factory consolidation. That is going to drive factory consolidation. Also, the concept that Bert was talking about in terms of what is core and noncore is going to free up square feet, so that might give you consolidation opportunities there. We do not want to directionally say how much footprint we can take out or what might close accordingly, but we do want to say that we believe there is an opportunity on dollars per square foot.

Greg, you want to offer any color there?

Gregory Rustowicz: Yes. I showed 240 basis points of EBITDA margin expansion related to operational excellence. We have built the footprint consolidation within the 240 basis points. Now clearly 80/20 has a big impact on being able to do so. Within there are the two consolidations that we have talked about, the one in Ohio that Mark just referenced and the two facilities in China that we are going to consolidate down to one. We expect that to have somewhere between $1 million and $1.5 million of savings, about a 1-year payback. But we probably won't see any savings in this fiscal year. Instead we will see them in the following fiscal year. Those are the two specific ones that we have in there.

Jonathan Tanwanteng: And in terms of Phase III included in that target?

Gregory Rustowicz: No, the financials that we have here are based on just Phase I and Phase II activities and so it is very difficult to predict from an acquisition perspective what sort of company, how much it would cost, what the financials would be. This is just organic activity at this point.

Jonathan Tanwanteng: Okay. Great. And then in terms of capital deployment, as you get to the 1x leverage level exiting this year, are you going to keep paying down debt if you can't find opportunities or will you return cash to shareholders? What are your priorities, if it is hard to find something to bolt-on at that point?

Mark Morelli: We look forward to having a cash problem. Those are great areas for us as a management team to think about how to most effectively deploy our capital. We will absolutely continue to maintain a good balance sheet, particularly given market conditions may or may not change. You want to be prepared for that. At the same time, I think you should expect that we will continue our dividend as well.

Gregory Rustowicz: We are very comfortable operating with a 2x net debt-to-EBITDA leverage ratio. We will flex it higher if it needs to be, like in the case of STAHL, where we flexed over 3x, but it was a really good opportunity for us. As you can see, we generated a lot of cash throughout the cycle, and we were able to de-lever very, very quickly. From a capital allocation perspective, this year, we will continue to pay down $65 million of debt. It will take our leverage ratio down to 1.1x. We think that is a really good level to be at under any economic scenario and that gives us a lot of dry powder if we do move forward with Phase III and there is an acquisition opportunity, where we need to have that borrowing capacity.

Jonathan Tanwanteng: Okay. One final one from me. You have obviously had a lot of change going on, you are increasing the competitiveness of your company. What are your competitors doing now, are they standing still? Are they seeing all the change here and trying to move to do the same or similar things? Just some color on what the environment looks like for you competitively.

Mark Morelli: Sure. I will answer the question and I will also open it up to our BU leaders if they want to jump in as well. We love to compete. We like when there is good competition in the marketplace because it validates an important value opportunity. I also think, we have some good competitors in the industry and we have a lot of respect for them. We think that we have a real opportunity to redefine the space from how customers are being served. You heard that come through in our operations and you heard that come through also in what we are doing with 80/20. It is not anti-customer, it actually enhances what you can do for your customer. We are very excited about our path and our competition. While we do look at what they are doing, we are mostly focused on where the customer is and how to redefine that experience.

We think this transformation at Columbus McKinnon is, in fact, doing that. We are really disappointed on areas that we do not carry through to the degree and to the standard that we would expect. Every day, we run into those kinds of things, but it is that standard we are setting that is much higher, that we are raising the bar not only for us, but for the entire industry. You guys want to jump in?

Peter McCormick: Yes. From a Crane Solutions standpoint, I think that there is really one major competitor, I mentioned it earlier. Obviously, they are not sitting around waiting for us, but the unique opportunity is that our partners rely on us to compete against them and that is true worldwide. So, there is a huge demand from our partners for us to continue expanding our offering. I mentioned the kit crane opportunity. Today, they are buying from their competitor and they would love nothing more than to be able to buy that from their partner. We see a good opportunity to continue to take market share from a Crane Solutions standpoint.

Kurt Wozniak: Thanks, Pete. The only thing that I would add is we have a primary competitor as well. They often try to copy us. I would tell you that it is easy to say you are going to focus on the customer and give the same service levels. We even said that within our company 10, 15 years

ago, we would talk about it, but until you get organizational alignment, commitment between the functional leaders and the BU leaders and you attack that stuff together, other people are not able to replicate it. We are getting that feedback back from our customers and the 25% growth that we talked about in the priority accounts is coming to us because our competitors cannot replicate those service levels.

Appal Chintapalli: In the Engineered Products case, I think we have a few competitors about our size or smaller. I think what you will see is that our space is highly fragmented, which is where the new approaches will make a big difference in a company like ours versus a smaller company.

Joseph Mondillo: Joe Mondillo from Sidoti & Company. A very thorough presentation, so thank you. Actually, my first question was actually based on what we were just discussing there and so I will just follow up on that. Could you talk about your market share within the businesses? In terms of R&D relative to your competition, how has your innovation been in the past several years, say, relative to your competition and with all these new projects and maybe Mario wants to address this, how does your innovation R&D projects look compared to that same basis?

Mark Morelli: Let me start with the first one. When I joined the company, I asked the same question of what is our share and then you ask your managers, how are we doing on share and they reported all the share is up. However, I asked them to show me ten years of data on share and when you looked at a 10-year trend, actually the share was down. So, we said, one of our things we are going to start in Phase I is how do we strengthen the core and how do we understand that and that is about availability.

We have a variety of share for the different businesses, but our wire rope hoist business is about a 30% share. Now, we have also expanded more internationally, so we are redefining those markets and we are also redefining what is called the mid-tier that you heard Pete talk about. About a 30% share might represent a good number and we have historically had higher share in the United States in our Industrial Products business on things like manual tools, electric chain hoist, but once again, it is a similar trend.

If you look over the last two years, the trend is absolutely up. I mean, not fractionally up, but there is a significant uptake. Because that strengthen the core tiger team, if you will, that started talking about availability and responsiveness. By the way, when you talk about availability and responsiveness, maybe your action is, that you are measuring the wrong thing. If you measure your promise to your customer and you are saying you are really good at it, and then you go ask the customer, they say, well, you really are not good at it and they measure you much lower.

It has been a big learning for the company and I think we absolutely are seeing share gains in wire rope hoist, and saw share gains predominantly in our first year on the manual and the electric chain hoist products. Hopefully, it gives you a little bit of a sense.

Now, we are also in the process of redefining some of our markets into growth because there is a difference between what is your target market versus what might be available to you for our expanded thinking of being a lifting specialist and smart movement. We are doing more work there and I would like to redefine markets so we are much smaller players in growth markets than substantiating being higher share in markets that do not grow as much. So a lot of work on that one to come.

In terms of your R&D question, I am going to turn it over to Mario to answer this as well, but let me just start off by saying, historically, Columbus McKinnon did not drive a lot of innovation in the recent years. Columbus McKinnon is an old company. We were founded ten years after the end of the Civil War. We have been around a long time. We invented the welded chain. It has been a long time since we invented the welded chain. If you look more recently in years, I do not think there has been a strong amount of innovation coming from the historical Columbus McKinnon business, which is the whole reason why I want to bring in Mario, the whole reason why I want this new initiative on ramping the growth engine.

Now Magnetek has done some great things. On the control side, it got some good IP. STAHL did some great things with explosion-proof and so our more recent acquisitions, I think have a stronger legacy. I think they represent more industrial technology, but we have had a lot of work to do, which is why a lot of revamping, a lot of refocusing occurred and I think his analogy was great. You have to tune the engine before you go dump a bunch more fuel into it, but that is exactly what we are doing.

Mario, you want to give some color?

Mario Ramos: Yes, absolutely. What I discovered when I joined the company about a year ago and did my analysis on competition to understand what the landscape of patents and innovation is and how they were driving the cycle, what I discovered, in fact, is two things. One is our acquisitions where through Magnetek and STAHL, we have added a bunch of patents to our portfolio for new technology that we developed over the years. For example, on the control side, we have some areas even in our legacy products where we do some small incremental innovation over the years. Of course, when I look at the patent portfolio and how we proceed moving forward, we are developing a process that we call our internal innovation process, which is actually solving the specific customer problems, rather than innovation for the sake of innovation. We are very laser-focused, because we are a relatively small company with limited resources, and we need to be very specific in which areas we want to develop innovations.

We are looking at high-value customer problems to start with and we are giving this problem to our engineering department to develop the solution which may come in many different ways. One is the evolution of existing platforms, whereas the other one is actually through the creation of new solutions.

Something you need to consider also is that as we evolve more into the software space, many of these software algorithms and I would say software packages to solve the specific problems, will not be disclosed as patents. We will keep them as trade secrets. It is your secret sauce on how you may have an anti-sway algorithm to prevent these loads to bounce from one side to the other. We believe we have the best algorithm for that and we will keep that secret. We will not disclose how we do it. As we continue to evolve, we will continue to drive more and more innovation in the software space, not only on the electromechanical space.

Greggory Palm: This is Greg Palm, Craig-Hallum. Based on what we heard today, obviously, you have made a lot of major improvements over the last year. So, I am hoping you can just spend a minute as you think back on what has worked, what has worked out better and why? Because clearly, you have outperformed a lot of our expectations, both from the timing and also magnitude standpoint.

Mark Morelli: Let me answer the question, and I will open up to my team if they want to jump in here, too. I think what has worked out particularly well is 80/20. If you think back on what we were trying to do when we first started Phase II, and we had also just talked to a lot of you folks in terms of Investor Day, a lot of it was theoretical. We know the opportunity is there, but our tool kits were just being developed, and we did not actually try them out. It was more of the theory on what we needed to do, and 80/20 has just worked incredibly well. Particularly, in North America, where we've started in the Crane Solutions group. What was, I think, so powerful about our equation for it is, we have a very good recipe that we adopted, a very distinct process, but we also link that 80/20 Process with strategy deployment. I think that is really very creative of us to come up with that and adopt it. I also think there was a lot of hand-wringing with how are these things going to work together, but in hindsight, that has really delivered a ton of value because we got after it really quickly, and we deployed it very deeply inside our management teams. We are really happy about that, getting a ton of traction with it. We are continuing that, of course, as we get into Phase III. Let's open it up to other folks as well.

Gregory Rustowicz: I would add one other change as part of our transformation, moving to global product lines and business unit structures. That has had a major impact on the performance of the company. It was not easy at first, but in a very short period of time, you can tell from the presentations of the business unit leaders that we are going to market as one company within their product lines. That is having a huge impact on us taking share and really out delivering our performance.

Kurt Wozniak: Mark, if I can add to that on the 80/20 front. We did not talk a lot about it, but when you take the strategy deployment tools, the 80/20 process, and you really embed that deep into the organization, you are giving folks a framework to make business decisions that happen at a much lower level, so you get more progress out of that. Additionally, we are getting more value out of the teams as those individuals build up their capability and grow.

Peter McCormick: I guess what I would add to it is a simple word: responsiveness. You can talk about easy to do business with, but if you can really improve your responsiveness, shorten your lead times, respond to the quotation quicker, and get the product to the customer quicker in the market, you can really capitalize on a strong market, where everybody's demand is very high. So, our ability to respond to that quickly, I think, has also really driven some of our growth as well.

Greggory Palm: Thanks. As a follow-up to that, Greg. This is probably for you given you spent a lot of time talking about the stock, but clearly the market has not really realized some of these improvements you made based on the stock price and the valuations. So, why not more aggressively buy back stock at current levels? At least thinking or knowing at some point that the market might fully appreciate some of the positive data sets that are in place?

Gregory Rustowicz: I am glad you brought that up. Our Board just recently authorized the $20 million share buyback program. As we think about it, at that level, it is not going to have a large meaningful impact on the valuation of the company at $20 million. However, we view it as something that we can use to take advantage of market anomalies. For instance, where we see all these global headlines, the markets tank, and we will look at it as, hey, if nothing has really changed fundamentally in our business and we see a major drop in our share price, we would want to jump in at that point and start to buy some stock back.

But I would say, Greg, we are finally at a point where we are comfortable with where we are from a balance sheet perspective. It was very important for us to de-lever very quickly after the STAHL acquisition. As you know, we refinanced the entire balance sheet. We paid $225 million for STAHL, and we have paid back, since we bought STAHL, $135 million of debt. With the $65 million that we plan to pay back this year, we will almost have paid for the entire acquisition within a little over three years. We feel really good about it. I think it is something that is more relevant right now than it would have been a year ago.

Deborah Pawlowski: Any more questions from the room here?

Ray Benvenuti: I have a question for Bert. Part of your presentation was outsourcing noncore processes to other vendors. How much does that include low-cost countries like China and Mexico? And how does that all work in this environment today?

Bert Brant: Good question. Thank you. Actually, we are looking at moving a lot of product into India. We are top at our castings, so there is a big push there. We have some procurement and some manufacturing as we are tapping in China. Right now, we are holding on as we are looking to see what is going on from a global standpoint. But we are expanding more in Mexico. We have a factory in Mexico and we are actually moving processes into where we talked about repeating some of the operational excellence fulfilling product in the U.S. versus Germany. We are moving product that was built in the U.S. to Mexico to fabricate and send back in to the Wadesboro plant. As we are doing that, we are building that supply chain in Mexico to help us get more product when we bring them in from Mexico. We feel like that is a safer trade bet right now.

So the steps that we are taking out, the first shot is can we go to best cost countries. We talked about our motor process a little bit. As we are getting leverage now, we have an international supplier of motors who is both in China and in Mexico, and who is now interested in working with us. We have enough volume to make it interesting. So, that is how the process has come together.

Matt Koranda: Matt Koranda with Spitfire Capital. On the 80/20 implementation, I think you guys mentioned earlier in the presentation, you are about 1/3 of the way through with that. If you just do the back-of-the-envelope math, I think it suggests roughly $17 million of incremental savings I had from 80/20. Is that a fair way to think about the incremental coming from 80/20?

Gregory Rustowicz: Yes. It is going to be more than that, Matt. What we achieved in fiscal '19 was about $8.5 million, but if you look at the 300 basis points of savings, and we have already put a marker out of about $10 million of savings this year, there will be some diminishment to that $10 million, but it is still going to be a substantial number over the 3-year time frame.

Matt Koranda: Okay. And then, since we are on the bridge as well, the 240 basis points of operational excellence. Can you just get a little bit more granular in terms of what that entails since 80/20 is encapsulated in the 300 basis points?

Gregory Rustowicz: As I mentioned in my presentation, 80/20 is certainly an enabler to the operational excellence. I will give it a little bit of color and pass it on to Bert, who is knee-deep in it with his team. There are really three main elements to it. It is material productivity. How do we drive our material cost down? There is the indirect overhead piece of it, and how do we become more efficient? He talked a lot about focusing on our core activities. The third part is the footprint

simplification that we talked about, the Salem, Ohio facility and one of our Chinese facilities today. For the first time, it is going to get consolidated, but Bert, maybe you can give a little more color on that.

Bert Brant: Sure. Thanks, Greg. I think we look at it even simpler than that. It is really two pieces, it is material savings, and we look at that on two bases. We are always trying to get better prices, but the process we put in, is really to fight inflation. Even in a low inflationary period, you can always push back more on inflation. We are actually going back and asking for money based on the fact that we gave up a little inflation last year. That is a piece of it, but when we think about the rest of our savings, and if we are talking about a big piece of the pie, it is overhead labor. As we consolidate and simplify, we are always looking at options to take that cost out. Also, when we are going and doing our plant consolidation, the footprint work, we think the same way. We are going to move value-added processes into another plant, and all that overhead and waste, we find a way to farm it out of the business. So, when we move it, we get a double hit on that overhead. We are really saving money in materials. We are looking at best cost regions, and we are really focused on overhead.

Matt Koranda: That is helpful. And then just since we are talking about footprint consolidation, I think you guys mentioned the China facility cost about $1.2 million or $1.3 million in terms of the upfront cost. How should we be thinking about restructuring charges over the coming years as we look at consolidation now?

Gregory Rustowicz: As we think about consolidations, our target is to get a 1-year payback, and that is what we did with the Salem facility. We spent about $2 million, and it is going to be about a $2 million benefit. In the case of China, I would call it more in the $1 million to $1.5 million range. We are still going to try and go a little deeper if we can, but we would expect a 1-year payback on that as well.

Matt Koranda: Okay. Then just last one maybe for Mark just on the M&A opportunities that you highlighted in the two areas that you are talking about going after. I would assume some of those areas would have higher multiples in terms of the companies that are playing in those spaces. So one, what level multiple are you comfortable paying for acquisitions as you move into Phase III? And then how are you aligning incentive compensation to ensure discipline to M&A?

Mark Morelli: We are not actually out in the market doing the M&A right now, so a part of the screens that we are building is to answer exactly those questions for ourselves. Obviously, the easy answer is we do not pay too much. That is hard to do when there are recognized properties, but some of the areas that we are talking about, they also might be underperforming a little bit. They might have some potential that would be a good opportunity. We are also looking at businesses that could benefit from 80/20 and if we see that clean-up opportunity, that would represent a great thing for us to do because, we fully intend to have 80/20 be a poster child when we go in and do the M&A. I know I am not specifically answering your question, but we are not ready to give guidelines to folks in terms of the parameters that we are looking at. We think that the spaces are pretty fragmented and there are lots of properties for us to look at in both of these areas, and so we will continue to mine that and look for the right opportunities at the right time. We will be more forthcoming as we get further down the path.

Gregory Rustowicz: We would love to do more deals like we did with STAHL where we got a very high-quality asset at about 8x EBITDA. However, I think, that was an exceptional deal for Columbus McKinnon.

Mark Morelli: The other part of your question, I won't answer either. Although, I do recognize the question, it is like what are our incentives around M&A? This team is heavily incented right now on Phase II of the strategy. They are fully deployed on Phase II of the strategy. It takes all of their waking hours and some of their sleeping hours to get through what are we doing on Phase II and continue to execute that path. I can assure you there might be some ideas that bubble up, but it is mostly myself, Greg, Alan, participation from the business unit leaders, and Mario, particularly on the technology end of things to bubble up those ideas. However, it is not fully in their incentives right now, so we are fully incented on delivering our path on Phase II.

Deborah Pawlowski: I have a couple of questions from Walt Liptak of Seaport Global who joined us via the webcast, "Can you speak to the timing related to the Industrial Products progress on 80/20 versus Crane solutions?"

Mark Morelli: Yes. Let me take that question, and then I will let the BU folks jump in. The timing on Industrial Products versus Crane solutions is a little bit a function of what those businesses had to do. In other words, Industrial Products, as we said, is more of our legacy business. For that to be organized and proceed globally is a lot easier to do than pull in two fairly recent acquisitions and put them together into a global business unit. First of all, it is a lot easier to prosecute a business in North America that folks are a lot more comfortable with in terms of how it is organized. It is less of an overall change. It is a lot harder to bring in a brand new acquisition plus Magnetek that also was not fully integrated, put that into a new business unit and then organize that and proceed on that. As you saw from their presentation, they were able to grab hold of different things a little bit differently. As you see, Pete got really started on the product line simplification because he had to clean that up first, and that was the major issue that he proceeded. Whereas Kurt, in the Industrial Products, really got started with a lot of the North American business around product line simplification and customer list, and then made a lot more progress in those two areas. So do you guys want to give some color?

Peter McCormick: I think you pretty much covered it.

Mark Morelli: Okay.

George Godfrey: George Godfrey from CL King. Slide five from Mario's presentation. I just want to make sure I am reading it right on your returns on R&D spend, the incremental new product development in FY '19. I am eyeballing this, it looks like it is about $5 million. And my guess is the gross margin from new product development, you are measuring that in dollars which came in at 94%. So you are getting almost a $1 million to $1.05 million on that new product spend. And if I look forward to FY '20, it looks like, again, I am eyeballing this, about $5.5 million with the goal of getting 114%, so about $6.25 million in incremental gross margin. Am I reading that right that those are the numbers you are targeting?

Mario Ramos: No. I do not think you are reading that right.

George Godfrey: Okay. I am glad I asked.

Mario Ramos: We are talking about gross margin returns here, so we are not talking about direct revenue growth. What it is showing on the right is in fact our gross margin generation through new product development. That includes our efforts in new product development, automation, and our value-added value engineering. We compare that versus the total costs, the total spend that we have in R&D. So, that is how we came up with those numbers. I would say that this is in line with the global benchmark of product development developed by Deloitte.

George Godfrey: So does the 94% mean you are getting a 94% higher gross margin than your average gross margin of 35%?

Mario Ramos: No. It means that I am getting a 94% return on my investment in R&D.

George Godfrey: Okay. So if the R&D cost, again, it looks like it is about $5 million, then would that not apply like $10 million gross profit dollars?

Mario Ramos: Well, what it means is that, for example, if I spend $1 in the given year, I am getting back $0.94, right, on the gross margin.

George Godfrey: Okay. Got it. And so if you try to take that through to an operating income, you would have to also subtract out the cost of...

Mario Ramos: Right. Yes, because this is gross margin and it is not really operating income dollars.

George Godfrey: Okay. So again, so for next year, I am thinking that is about $6.25 million is what the -- if the returns can target a 114% and you are spending like $5.5 million, then that is what I would think the math would imply. Because you just said $0.94? Okay. The second part is, is that limited on how much you are spending? Is that driven by a threshold, or those are all the products that need that incremental dollar? Just trying to...

Mark Morelli: Yes. Let me answer that question. So, it is obviously a good return. If that is a good return, why not do more? What is the limit if you are doing more? The limit of us doing more is really capacity. You are getting a much better return because you have down selected and you have focused on it. It is purposely constrained off our management capability to execute really well around a very finite set of opportunities. I do not think it is opportunity constrained, it is more of a management and capability constraint, so it is a nascent capability. The last thing you want to do is flood that and not be able to have that responsibility to be able to carry that forward.

It is now how do you scale it. What we have to be proven to invest more, is our ability to scale. Now, great, we dialed in the right equation here to deliver good returns on product development. Now how do we scale? Like right now, we are trying to hire more software engineers. We will go as fast as we possibly can, but we have to demonstrate, in terms of taking on new projects, that we have the right project leader, we have the right competency. As we demonstrate that through our tollgate process, we will hatch more programs and then we will continue to scale the R&D. The strategy is a self-funding strategy, and our ability to deploy that is constrained in terms of how fast Mario and the teams can go, to demonstrate they are going to do really well.

Mario Ramos: Just to add to that, I think, something we are doing today is also using partners outside of the core business to develop technology. It is not everything has to be developed

inside, but it is about also co-development with some of our partners and we are taking advantage of that in some specific areas where we believe we can co-develop things to solve that constraint question. In R&D, you need to spend a little bit of time developing the right competencies, developing the internal know-how on how to scale some of the solutions.

Deborah Pawlowski: Another question in from Walt Liptak at Seaport, "Basically, general questions regarding sector trends. How are you seeing EU sales trending the spotty markets? If you can discuss a little bit more detail about product sectors and geographic regions and where revenue may be declining or growing?"

Mark Morelli: Sure, I will answer this. I will let the BU leaders chime in if they care to. I think generally speaking, we see two disparate trends that are occurring. One is, which part of our business we sell into our customers that carry inventory. This is predominantly a large part of that business Kurt might prosecute with Industrial Products. In other words, the channel takes and holds inventory and sells that out to the end user as it is needed. In this market environment, people do not want to carry as much inventory as they did last year. Things are a little shakier on the geopolitical front than they were this time last year. As a consequence, people do not want to sit on high inventory levels. So, we see that short cycle business harder to sell into than it was last year, generally speaking. There might be some differences in market segments and these folks can walk through our market segments.

On the flip side of that, we have businesses that sell into projects. That also is some of Kurt's business, but it is more of Pete's business in terms of our Crane Solutions business, and it is more of Appal's business on the Engineered Products side. They are selling into projects such as a petrochemical project. They might include hoisting cranes. Or steel industry projects where they are refurbing a bunch of controls. Those projects have very good returns, interest rates are low, markets are actually pretty favorable, and economies are actually doing pretty well. So, those projects are continuing. In fact, that demand is fairly robust and the flip there is that they are struggling to meet demand. So, you have two different dynamics that are occurring inside the business and I will let the BU leaders give you some color what they are wrestling with.

Peter McCormick: Again, I think you pretty much covered it, Mark, but I guess I could highlight a couple of specifics. As I mentioned, we see strength in the Middle East oil and gas markets. So that is strong with lots of large projects there. I would say in Europe, for the Crane Solutions business, our quotation level is remaining strong. I would not say it is booming, but it is strong. Overall, I think the business is holding up there and the same is happening in the U.S. wire rope hoist market.

From our controls business, which historically is the Magnetek business, we go beyond just applying into our wire rope hoist business. When it becomes a large engineered hoist that almost always will have controls on it, we see very strong growth. Our backlog is extremely strong and quotation levels are at an all-time high, so we continue to see real strength in that market.

Mark Morelli: All right, I think we covered that question from the management team.

Deborah Pawlowski: "And then on 80/20. So can you still get 80/20 savings if there were a single-digit decline in sales growth? And does the 80/20 strategy change in any way if we were to go into a recession?"

Gregory Rustowicz: 80/20 is not a topline story. I think if you see low growth environment, 80/20 is going to work really well, which is what we are anticipating. As we go forward, we think we are going to do really well on the bottom line in terms of all of our expansion opportunities there. We like the environment we are in. If things are strong, we would love that, too, but if they slow, we are very happy with our strategy. We are very pleased with where we are sitting in terms of how the company is positioned and how we prosecute slow growth markets with our strategy.

In terms of a recession, how does it change what we do? Well, I said a little bit of this earlier. You want to do as much as possible before there is a major downturn because then you get in front of it. If you are in the recession, the last time you want to close a factory is if you are trying to shed cost very quickly in a downturn. I mean what you ideally want to do is, you want to shed your bleeders, clean your business up as much as possible before the downturn because then you have a chance to think these things through and execute extremely well on it and not be in panic mode. In terms of what might happen in terms of a downturn, we just stick to the game plan. I mean it is working, it is going to work better, and if the market is slow, that is fine. That will work better as well and in terms of a downturn, we just keep plowing forward.

Deborah Pawlowski: Any more questions?

Joseph Mondillo: Joe Mondillo, Sidoti & Company. Just a couple of questions. One, I wanted to ask about the Compass configurator, thought that was interesting at the Magnetek Investor Day a few years back. Just specifically wanted to understand where you are relative to your competition? What can your competition do relative to that?

Mark Paradowski: As I talked about this new user experience we are releasing out, which was really designed from the ground up to try to leapfrog our competition on the overall user experience. Where I still think we have more to execute on, our roadmap is going deeper into this crane kit configuration capability. Certainly, today, we can do a crane kit, but what we really want to do, and as it is showing on the roadmap, is bring all the remaining products and all the Magnetek products in, so it really can be a full-featured configurator across our entire product spectrum. That is the work we are doing today on the roadmap.

Joseph Mondillo: So you would characterize the capabilities as more advanced than your main competition?

Mark Paradowski: I would say the user interface, what we call, the Apollo interface, the new UX coming out, yes, I do believe that. That full quote management and the mobile capabilities that are in it really do move us forward. It is the other stuff on the roadmap that we are still executing to really surpass.

Joseph Mondillo: Okay. And then on the Engineered Products side of things, I am just wondering if you could talk about -- you mentioned that you are growing very strong. If you can quantify any growth rates that you are seeing? And if you could provide some information on the competitive landscape and what you are seeing on the competition side of things?

Appal Chintapalli: Sure. Growth-wise, I think last year, we had $5 million or so on an $80 million business. That speaks for itself. As I was saying earlier, one side of the market grows around 3% to 5%, and the other side, the automation markets are growing 10% to 15%. Clearly, we have been gaining share because we are growing higher than these rates. We are just starting to

penetrate the automation markets. I think it is too early to tell how fast and how much share we gain there, but on the other ones, we are gaining share because those markets are stable, we know what to do, loyal customers and all that. Does that help?

Joseph Mondillo: Yes. And also if you could just expand on how fragmented is this industry that you are competing in? How many players are there?

Appal Chintapalli: There are three or four big players in the U.S. and a similar number in Europe. So, 60% or 70% of the marketplace is very fragmented because there is a lot of niche players for specific applications. That is how I see it.

Deborah Pawlowski: Last call? Mark?

Mark Morelli: Thank you, folks. We appreciate you spending time with us this morning. We believe we are on a great path with our Blueprint for Growth strategy. We think the team is doing the right things to execute to deliver shareholder value. We are very excited about the future of Columbus McKinnon, and we thank you very much for your interest. We look forward to keeping you posted on our progress. Again, thank you for joining today. Thank you for making the trip here to New York City. Thank you for being on the webcast, and we look forward to being in contact. Have a good day.