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

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

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

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

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

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

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

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

David Wilson: Thank you, Deb, and good morning everyone.

These are certainly interesting times and I am very proud of the way the Columbus McKinnon team continues to rise to the challenges presented by the pandemic. We have continued to lead with health and safety at the forefront throughout these dynamic times. Even as global infection rates accelerated in the December quarter, we were able to exceed our revenue targets, grow our daily order rates and meet our customer's requirements.

Through all of this, we have been evolving our Blueprint for Growth strategy to Blueprint for Growth 2.0. Our Columbus McKinnon business system, or CMBS, is developing to provide the underpinnings for the discipline, processes, and core competencies necessary to scale our business. We believe that core elements of CMBS are enabling us to drive results today, as we address challenges such as labor availability, supply chain shortages and delayed freight schedules.

I'll talk more about our strategy and CMBS in a moment but let's hit on the highlights for the quarter first.

Sales of $166.5 million dollars surpassed our expectations even as we dealt with the staffing, supply chain and logistics challenges associated with rising rates of COVID-19 infections.

In fact, we are ahead of plan for our organic growth initiatives involving new product and solutions development, geographic expansion and advancing Compass, our online CPQ – or configure, price, quote tool – that speeds up our channel partners' ability to design, and quote our equipment. We are forecasting new product revenue, defined as revenue from products introduced within the last three years, to be up 24% year-over-year in fiscal 2021. As a percentage of sales, our new product revenue has grown nearly 200 basis points.

Gross margin was 33.2%, which we were pleased with given the typical impacts of under absorption in the December quarter, and the incremental costs associated with labor availability and supply chain expediting fees. Our suppliers similarly faced staffing impacts associated with the pandemic. In addition, we had to overcome increased freight costs due to capacity constraints in our global shipping channels.

Despite all of this, adjusted operating income was $11.2 million dollars and GAAP earnings were 27 cents per share, or 26 cents per share when normalized for the tax rate in our fiscal third quarter.

As Greg likes to say, a hallmark of Columbus McKinnon is our ability to generate cash through all cycles. I believe this is true, and that we are also getting better at it. As we drive operational excellence through CMBS I expect that we will advance this capability even further. We generated approximately $22 million dollars in free cash in the quarter and have more than sufficient financial flexibility to put our capital to work for growth… both organically and through acquisitions.

Notably, our backlog is up 4% sequentially, continuing an encouraging trend of recovery.

If you will now turn to **Slide 4**, I would like to introduce more about the evolution of our Blueprint for Growth strategy to version 2.0. To execute this strategy, we are building the Columbus McKinnon Business System or, as I said previously, CMBS. CMBS leverages the foundational elements of EPAS and expands upon them with a broader set of core competencies, key processes and tools that establish a stronger enterprise foundation and a "Columbus McKinnon way" for enabling growth and creating scalability. This provides the infrastructure that enables the Core Growth Framework of our Blueprint for Growth 2.0 strategy. The key principles of CMBS are rooted in being market led, customer centric, and operationally excellent with our people and values at the center of all that we do. This requires somewhat of a shift from where we have been as a company. We are altering our orientation and perspective to be more "outside-in" focused.

Being market led and customer centric means we must establish a deeper and more institutionalized understanding of the markets we serve, the competitive landscape we engage in and the opportunities that strategic adjacencies provide. This perspective sharpens our insight into what drives our customer's behaviors -- why they buy, what they buy, and how they buy. We are improving our knowledge of how we are perceived enabling us to align internally to

improve our customer's experience. With CMBS as the foundation we can execute the Core Growth Framework of our Blueprint for Growth 2.0 strategy.

The Framework defines four parallel paths for Columbus McKinnon's growth and provides clear organic and strategic initiatives focused on – Strengthening our core, Growing our core, Expanding our core, and Reimagining our core.

This is how we pivot to growth, both organic and acquisitive.

Strengthening the core is a foundational path focused on initiatives that will strengthen competencies and improve our competitive position within our existing share of the SAM or Serviceable Addressable Market. Initiatives include further developing commercial and product management competencies and improving our digital front-end.

Growing the core is a path that is focused on taking greater marker share, both organically and through acquisitions, within the markets we currently serve or, again, our SAM. We are making progress on this path with product localization, new product development and advancements in automation and aftermarket support for our distributors.

Expanding the core is a path that is focused on improved channel access and geographic expansion. Here we are talking about expanding beyond our SAM into the broader Total Addressable Market or TAM. This will involve building out our presence both geographically and in new verticals. A current example is the Hygienic markets we are targeting with evolved products and solutions. This will also be achieved through organic and acquisitive growth.

Reimagining the core is a more transformational path that rethinks our current TAM and targets strategic expansion beyond that. As we think more broadly about material handling and increasing trends in intelligent motion, not just lifting, but solutions for how materials move throughout customer environments, there are some compelling ideas that emerge. This growth can be achieved organically, through innovative approaches and the application of Columbus McKinnon technologies in markets that extend beyond today's TAM, as well as through strategic development.

We have detailed plans, underpinning each of the paths of our Core Growth framework. We look forward to discussing these in greater detail when we host a strategy briefing in our first quarter of fiscal 2022.

Please turn to **Slide 5** and I will speak to the current success of one of our key Columbus McKinnon Business System tools; the 80/20 Process.

While the results of this process are volume dependent, we are nonetheless reaping incremental benefits, even during the recession created by the pandemic. Year-to-date we have generated $9 million dollars in contributions to operating income resulting from strategic pricing initiatives, the consolidation of facilities, and customer simplification.

In addition to our continued focus in these areas, a primary area of emphasis going forward is on Product Line Simplification.

If you would now turn to **Slide 6**, you will see that we are continuing to recover from the low point in the first quarter of fiscal 2021. Both our short cycle and project businesses demonstrated growth over the second quarter. As we have noted previously, the third quarter is

typically our weakest quarter due to seasonality and fewer workdays. We are certainly encouraged that the landscape appears to be improving overall.

I will now turn the call over to Greg to discuss our Q3 performance in further detail

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

On **Slide 7**, net sales in the third quarter were $166.5 million dollars, down 16.5% from a year ago. As David noted, this sales level exceeded the upper end of our prior guidance for third quarter revenue of approximately $150 million to $160 million. Demand was impacted by the COVID-19 induced recession compared with the prior year, but encouragingly, the gap continues to improve sequentially compared with the trailing quarters as markets recover. Looking at our sales bridge, sales volume was down approximately $38 million, or 19.0%. However, we did realize positive pricing as we saw year over year pricing improve by 1.0% of which about 60% was related to our 80/20 process. Foreign currency remains a tailwind and increased sales by 1.5% or $3 million.

Let me provide a little color on sales by region. For the third quarter, we saw sales volume decline in the U.S. by approximately 20%. This was partially offset by price improvement of 80 basis points. Outside of the U.S., sales volume was down approximately 18% which was partially offset by price increases of 1.1% and favorable foreign currency translation of 3.3%. By region, sales volume was down 11% in Canada and APAC and down 20% in Latin America and EMEA.

On **Slide 8**, given our seasonality and fewer production days in the quarter, our gross margin was 33.2% which compares with 34.0% last year. We feel that this is good performance given the 16.5% reduction in revenue we experienced as well as COVID-19 pandemic challenges with staffing, supply chain and freight. We have improved our mix of businesses and have benefitted from our 80/20 process and operational excellence initiatives. The 80/20 process contributed approximately $3.5 million of incremental year-over-year gross profit expansion in the quarter through strategic pricing, indirect overhead reductions, and factory closures.

Let's now review the quarter's gross profit bridge. Third quarter gross profit of $55 million was down $12.6 million compared with the prior year. This was driven by a $12.8 million reduction in gross profit due to lower sales volumes. We did see gross profit expansion from pricing and we experienced no material cost inflation in the quarter. Foreign currency translation increased gross profit by $1.1 million. Tariffs were lower than the prior year as we imported less Chinese product. Factory closure costs were lower this quarter by $400 thousand. We experienced negative Productivity net of other cost changes of $3.1 million, largely due to COVID related labor inefficiencies and incremental costs associated with the consolidation of product lines in our factories during the pandemic.

COVID presented challenges in the quarter as we dealt with labor availability issues in our factories caused by shortages of personnel due to positive cases, or close contact tracing which required quarantine. Our supply chain also struggled with this challenge, and to meet customer demand, we experienced more expediting fees. In addition, freight carriers have also been impacted and we are seeing higher costs and longer transit times.

As shown on **Slide 9**, RSG&A costs were $41.7 million in the quarter or 25.1% of sales. RSG&A costs were $2 million lower than the previous year. I would like to point out that the prior year benefited from a $2.0 million adjustment to stock compensation resulting from the resignation of our former CEO. Adjusting for this one-time benefit in the previous year, the reduction year over year was $4 million. This improved level of RSG&A was due to several factors. We had lower selling costs of $4.3 million resulting from cost savings measures including lower headcount and limited travel. G&A costs were flat with the prior year if you exclude the stock compensation adjustment that I just covered. Also included in G&A for this quarter was approximately $2 million of cost associated with advancing our Growth Strategy as we discussed on our last earnings call. We also continued to invest in R&D to drive organic growth, so those costs were up $400 thousand. FX translation added approximately $600 thousand to our RSG&A costs.

As we discussed last quarter, our RSG&A costs increased sequentially by $4.7 million. This was due to the addition of second half incentive compensation accruals, growth investments, and the costs related to returning to work including bringing back certain employees from short work weeks in Europe, and additional travel. These costs will continue, and slightly increase as volume improves. As a result, we are keeping our Q4 FY21 RSG&A costs guidance at $43 million dollars which is $2 million below our FY20 run rate of $45 million.

Turning to **Slide 10**, adjusted operating income was $11.2 million. Adjusted operating margin was 6.7% of sales, a 490-basis point decline from the prior year. The driver of this decline was the impact that COVID-19 had on our sales volume. Decremental adjusted operating leverage YTD was 30.3% which is significantly better than what we saw during the Great Recession of 2009 when we experienced decremental operating leverage of 38%. Our Blueprint for Growth 2.0 strategy and specifically our 80/20 tools and operational excellence initiatives have improved our business model and better enable us to execute at higher levels of performance in all economic scenarios.

As you can see on **Slide 11**, we recorded GAAP income per diluted share for the quarter of $0.27 cents. We expect FY21's full year tax rate to be a benefit of approximately (2)% to (4)% which is resulting from the pension settlement expense related to the termination of one of our U.S. pension plans which created a pre- tax loss in the U.S.

On **Slide 12**, our Adjusted EBITDA margin on a trailing twelve-month basis declined to 12.0% because of COVID-19. Our Return on Invested Capital of 6.6% was similarly impacted. We continue to target 19% EBITDA margins and ROIC in the mid-teens, but the timing for the achievement of these objectives has been delayed by the pandemic. We remain highly confident that our strategy will enable us to drive profitable growth and achieve these objectives.

Moving to **Slide 13**, we generated $21.9 million of free cash flow this quarter and an impressive $66.0 million year to date. We took rapid actions to preserve and generate cash and utilized our business system to focus on working capital reductions. Our working capital as a percent of sales improved to 13.3% which was a significant contributor to our free cash flow improvement. We drove our days sales outstanding, or DSO performance, down to 51.5 days and improved our days payables outstanding to 40.6 days. Inventory turns also improved to 3.9 turns. We expect CapEx of $4 to $6 million in the fiscal 4th quarter. This will result in CapEx of approximately $10 to $12 million for the full year.

Turning to **Slide 14**, our total debt at the end of the quarter was approximately $250 million dollars and our net debt was approximately $62 million. Our net debt to net total capitalization is now approximately 11%. We have made excellent progress de-levering and have achieved a net debt to Adjusted EBITDA leverage ratio of less than 0.8 times, which provides us financial flexibility to weather the current pandemic and invest in growth initiatives.

We have a flexible capital structure which is "covenant-lite". This means our financial covenant is only tested if we have outstanding borrowings against our Revolver. In October, we re-paid the $25 million of outstanding borrowings on our revolver that we initially drew in April, so the covenant was not tested at December 31st. We also extended the maturity date of our Revolver to August of 2023 which gives us a stable capital structure for almost the next three years. Finally, our liquidity, which includes our cash on hand and Revolver availability, remains strong, and has increased to approximately $271 million. We expect to use our capital for growth, both organic and through acquisitions.

Please turn to **Slide 15** and I will turn it back over to David.

David Wilson: Thank you, Greg. Orders were $169 million dollars in the quarter, down slightly from the trailing second quarter, due to seasonality and three fewer working days. On an orders-per-day basis, rates actually increased sequentially by 2.5%.

During the quarter we had some interesting project wins that drive sustainability. These included clean-energy applications in both wind and hydro-power as well as supporting a manufacturer of infrastructure systems for sustainable water-flow management.

We had several wins in the transportation industry as we are supporting the significant global efforts to develop new production lines for electric vehicles. We are also seeing new demand, driven by shifts to new technologies such as electric and hydrogen powered public transit systems.

Other highlights include the energy market, where we were selected to provide crane systems for an LNG project in Mozambique as well as a natural gas power plant in Thailand.

Another area of growth benefitting from the pandemic is packaging, where we have won a number of smaller projects to provide lifting equipment to manufacturers of foil used in the food industry.

The defense industry is strong across all of our businesses. For example, we received an initial order for automated linear actuators used in a missile launch system, in the quarter. We expect this to lead to further opportunities over the next several years.

Finally, through the first 15 days of January our daily order rates are up 8.5% vs. the average in Q3. And, as I noted earlier, our backlog remains above pre-COVID levels. These trends are encouraging.

Please turn to **Slide 16** and I will discuss our outlook for the fourth quarter and our perspective as we advance into the new calendar year.

Our backlog, order trends and customer inputs provide confidence as we enter the final quarter of our fiscal year. We expect revenue in the fourth quarter to be in the range of $175 million to

$180 million dollars and we have approximately 50% of this level available in our backlog now. We remain cautious, nonetheless, as infection rates remain elevated.

While we only have direct visibility into the current quarter, our strategy is focused on the longer term. Our financial goals are unchanged. We are working toward 19% EBITDA margin and mid-teen ROIC targets. But first we need to get back to pre-COVID sales levels. Given our organic growth initiatives and economic forecasts, we expect to be back to pre-COVID quarterly sales levels by this time next year.

With the Columbus McKinnon Business System, we are building an organization and competencies that can scale as we pivot our efforts to growth. We have also been actively developing our acquisition pipeline and anticipate that we will demonstrate progress in fiscal 2022.

Importantly, we are making great strides as we establish the metrics, and performance targets relevant to Columbus McKinnon's sustainability efforts. We are defining the path forward and developing our first Corporate Social Responsibility Report which we expect to publish in fiscal 2022. This is an important journey for us. You can stay abreast of our progress via our website under "About Us".

With that operator, we will open the lines for questions.

Operator: [Operator Instructions] Our first question is from Mike Shlisky with Colliers.

Mike Shlisky: I want to start off, you had mentioned there have been some issues with the freight markets or freight conditions, freight supply as well as your supply chain in general. Have any of those begun to improve at all in the first calendar quarter of the year?

David Wilson: We're seeing rising rates of infections globally, and we've had some impacts in terms of the expediting that's been required to make sure that we're moving materials the way that we've needed to, and we were able to overcome them and exceed targets in Q3, as we just reported. As we're entering Q4, things remain in the same state. We're working very successfully with our strategic partners and the supply chain. I think we're in a position where we're not anticipating significant changes as we progress through the fourth quarter from what we saw in the third quarter.

Mike Shlisky: Great. Secondly, I'm curious about your comments that you're still on track eventually to get to that 19% EBITDA margin level are certainly encouraging. But it seems like you've expanded or matured the program that originally got you to set these goals, and it seems like it's gotten a lot more aggressive or a lot more expansive since the original Blueprint for Growth came out. So, I'm curious, is there any room to go past 19% if what you're doing ends up being successful over a period of time or is 19% the core to expect even with all these new goals and new strategies?

David Wilson: We've talked about this in the past. We're very focused on that target and making sure that we achieve that target, but we are working very hard on a number of initiatives that are making Columbus McKinnon a better and stronger business and anticipate that over time, as we scale, that we can move beyond those targets. So, that's not where we would stop, but that's certainly the target that we have right in front of us.

Operator: Our next question is from Greg Palm with Craig Hallum Capital Group.

Greg Palm: Certainly feels like the recovery has strengthened a little bit more than what we were all expecting a few months back. You gave some good color on end-market conditions and certain verticals where you're seeing some success. Do you feel like it's being led more by short cycle or projects? What are inventory channels or inventory levels like in the channel at this point and how much of this is sort of real demand versus restock into the channel?

David Wilson: To start with the last question, inventory in the channel remains at a very low level, so I don't believe that what we're seeing here is representative of an increase in stocking levels. But in the third quarter, we saw short-cycle and project sales increase on the order of 5.6% and 5.5%, respectively, which was pretty consistent across the board.

As we think about order rates in the quarter, our short-cycle order rates were down about 2%, and projects were down about 3% sequentially in absolute terms from an orders perspective. So, no real material difference as it relates to those two types of business. However, we are seeing order inquiries and engagement relating to project activity increasing quite a bit. We're having very active discussions with our customers related to projects that are gaining more traction. Some of them have been on hold and others are new activities that are coming forward.

Greg Palm: That's helpful commentary. As it relates to gross margins, I didn't hear any commentary on input costs. I'm just curious whether the rise of increase in steel lately is expected to have some impact. How should we think about gross margins in the near term?

Greg Rustowicz: In terms of the fourth quarter, we're anticipating raw material inflation to remain muted. We don't expect there to be a significant increase. To date, our raw material inflation has been close to zero. However, as we move into our next fiscal year, we do think that inflation is definitely going to become more of a headwind. We certainly have seen some very modest increase in steel prices. So far, a lot of our contracts are locked in, so it's not as much of an issue for us in the short term, but clearly, we think there's going to be pressure on raw material inflation as we head into fiscal '22.

Greg Palm: Okay. Just to clarify, it's just more of a by-product of timing, so the fixed contracts may need to get renegotiated based on this level of steel at some point? Is that the way to think about it?

Greg Rustowicz: Yes. We would expect there to be some additional inflation, which is yet to be determined. However, we also have some strategies that we will implement and have been implementing to offset it. One strategy is to delay increases, we force our suppliers to give us the details on what their prices should cost versus just accepting across-the-board increases.

We also look to add different suppliers and change sources if necessary. We also have a big focus on material productivity and VAVE cost-savings projects. So, there's a number of things we're doing and expect to do to offset any inflation we would see in fiscal '22, but clearly, what we're all seeing and reading about is going to be real.

Operator: Our next question is from Matt Summerville with D.A. Davidson.

Austin Bender: This is Austin Bender on for Matt. I have two quick questions. First, if you could speak to the actionability with respect to your M&A pipeline and how the funnel of activity has developed there.

David Wilson: Sure, sure. The M&A markets are becoming active again. We're focused on refining our criteria and making sure that we're focused on, as we've talked about in the past, a future that's more focused on intelligent motion solutions. We're building out an M&A process as part of CMBS. We have an active and developing pipeline and, as you'd imagine, we're evaluating opportunities, and those are opportunities in varying stages in terms of their actionability. But as I mentioned, we anticipate and our plan would be to be active in the fiscal' 22 period.

Greg Rustowicz: I'll just add on, Austin, that from a balance sheet perspective, we've got lots of dry powder available.

Austin Bender: Yes, definitely. You touched on the highlights you're seeing across some of the end markets, the positives. I was wondering if you could elaborate on the areas where you're still seeing challenges.

David Wilson: Sure. Clearly, the entertainment market is the one that stands out. The inability to gather is having an impact on touring shows, and those are basically nonexistent at this time. There are some live shows with fixed venue locations, but our entertainment business has been impacted the most. We're seeing some green shoots start to emerge as people have been doing renovations on locations and gearing up for a recovery, but it's still at a very low level. We're also seeing that the oil and gas and chemical markets are down compared to last year.

Operator: Our next question is from Chris Howe with Barrington Research.

Chris Howe: I wanted to follow up on some of your comments in regard to order rates. You had mentioned some of the positives in Q3 as it relates to clean energy, electric vehicle production, et cetera. With the incoming administration with President Biden and potential things on the horizon, any potential upside that we could potentially see impacting some areas of the business, first and foremost, perhaps electrical vehicle production and some of the other areas?

David Wilson: As I mentioned, there continues to be investment in that area, and we're benefiting from that investment as we provide solutions that assist in establishing those production lines for global electric vehicle production. I'd also anticipate that with the push towards more of an energy transition to clean energy, the work that we're doing in support of wind and hydropower and other sustainability areas could see benefits from stimulus or incentives that might exist to help support that. Those would be my initial thoughts as it relates to potential investments.

Greg Rustowicz: To add on, I would also expect that there will be a stimulus package on infrastructure spend. If this were to get passed, that'd certainly help us going forward.

Chris Howe: Great. Perhaps you can talk more about automation solutions and driving the growth engine as we get to a normal run rate at this point next year and what your expectations are for that piece of the business as it develops. I'm sure, as it develops, there will be a good incremental impact on the margin line.

David Wilson: As the world shifts more towards a focus on increasing safety, uptime and productivity through automation technologies that are now available through the solutions that we provide, as well as, in a defensive posture, trying to position their own enterprises against the risks of a second wave of pandemic or the needs for social distancing, I think we're well-situated to grow along with that trend to more automation in place.

Clearly, customers want to make sure that they are limiting risks as well as improving productivity. We think that those solutions continue to expand in importance as customers deploy their capital. That, coupled with reshoring, with growth in terms of order fulfillment requirements, I think we're going to see a trend that will help us further as we advance. Those are higher-value solutions for our customers.

Operator: Our next question is from Jon Tanwanteng with CJS Securities.

Jon Tanwanteng: I just wanted a little bit more clarity on the recovery commentary you made a year out from here. You did around $215 million in revenue, both Q3 and Q4 2019. Is that the bogey that we're looking at? To follow up on that, what kind of EBITDA margins do you expect at that level given all the continuous improvements you made in cost and efficiency and all that in the past year or so?

David Wilson: When we talk about a level of orders that is kind of a normal run rate for the business, we think, in the order of maybe $200 million to $210 million. We're anticipating, based on our own internal forecast as well as the economic recoveries that are being forecasted, that we would be at that rate as we head into the same quarter next year.

Obviously, there's some forecasting going on there, but that's what we're anticipating at this stage. With the work that we've been doing with the business to make the company stronger, to address our RSG&A costs as well as to continue to improve our cost of goods sold position, we anticipate that we would have EBITDA margins that would be improved from the rates that we were experiencing when we were last at those run rates.

Greg, is there anything you want to add to that?

Greg Rustowicz: Yes, thanks. So just to level-set everyone on the call, we were at about 15.7% adjusted EBITDA margin in fiscal '20. I'd expect that we're at least 100, 150 basis points north of that with all of the improvements that we've made. So, we're clearly progressing towards the 19% EBITDA margin, but certainly, this upcoming fiscal year is still going to be a year of recovery for us.

Jon Tanwanteng: Got it. That's really great color. Greg, one more thing, I think I heard you mention in the gross profit bridge that there was a headwind associated with the product simplification. Could you talk about that a little bit? Was it just the ramp-up process or is there something else going on in there that we should think about?

Greg Rustowicz: No, it wasn't with product line simplification. I was referring to the consolidation of the factory in Ohio, which certainly had some challenges as we were trying to do that in the midst of a pandemic.

Jon Tanwanteng: Got it. Was it a little bit over cost or a little behind schedule, maybe a little both? I'm just trying to figure out what that was.

Greg Rustowicz: We had challenges, which were not only implicit to Columbus McKinnon, but we had challenges with the supply chain for some of the components in the product that were transferred over. We incurred expediting fees to get product components into our facilitythat took over the bulk of the product line that got moved.

Operator: Our next question is from Walter Liptak with Seaport Global.

Walt Liptak: I wanted to do a couple of follow-ups. First, on the last question that you talked about with the $200 million to $210 million of orders. I just want to make sure I understand this that you're thinking that when you get back to that level of orders, you should get about 150 basis points of margin. Is that right?

Greg Rustowicz: Probably somewhere between 100 to 150 basis points.

Walt Liptak: Okay. I would imagine that on top of that, there's going to be some benefits from 80/20 and 80/20 projects?

Greg Rustowicz: Yes, that's already included. It's really everything we've done to date that's gotten us to where we are plus what we have planned going forward.

David Wilson: Up through that recovery period, so just up through the point at which we get to those run rates again. And, in the years that follow, there's additional opportunity.

Walt Liptak: You guys talked about doing product line simplification, PLS, in the future. I wonder, have you started on that and is that in that 100 to 150 basis points of margin?

David Wilson: Yes. Our progress through to that point is included in that number, and then there's work that continues beyond that.

Greg Rustowicz: We talked about this in the past; product line simplification was really the one tool in our 80/20 that we think has a lot of room yet to advance. Columbus McKinnon is a relatively complex company, we have a lot of different SKUs, and we think that there will be a big advantage to simplify our product line in our portfolio. However, that one will take time, but we will utilize the strategy deployment process as well, and that is one of the top two items that we're pushing over the next year to 18 months.

Walt Liptak: Okay. Got it. I wanted to ask about the incoming order rates. I think you said that the daily order rates were up 15% for the last 15 days?

David Wilson: No, 8.5% versus Q3.

Walt Liptak: Okay. That must have been wishful thinking.

Greg Rustowicz: The first 15 business days of January, so 8.5% over 15 days covered.

Walt Liptak: Is that because of project work that's beginning to come through or are you seeing it in the channel as well?

David Wilson: It's about 13% project-driven and about 4% short cycle averaging the 8.5%.

Walt Liptak: So the project work is significant. I wonder if you took all those different things, all those different projects that you're working on in clean energy and EVs, in defense and LNG; what size of an opportunity is that?

David Wilson: Obviously there are big drivers around the demand there, and things are moving in a way that is increasing our activities. Our typical rail or transit project, as there's a shift to more public transportation driven by electric vehicles or hydrogen-powered vehicles, is on the order of $1 million to $3 million, let's say, in terms of range. Those are for roof working platforms for high-speed train maintenance or bus station maintenance work.

As we think about orders that might be more in line with the typical automotive vehicle-related activities, we're seeing orders that are in the $1 million to $1.5 million per year range on a year-to-date basis. I think there's an acceleration of that, but it's not enormous.

Operator: [Operator Instructions] Our next question is from Christopher Keller with Loomis Sayles.

Christopher Keller: Regarding your future M&A decisions, do you have any debt leverage ratio policy that you would be seeking to abide by?

David Wilson: We do. I'll let Greg take that one.

Greg Rustowicz: Maybe the best thing is to look at our history. When we bought STAHL, we temporarily flexed our leverage ratio up to about 3.7x. However, we had a pretty clear line of sight on being able to delever quickly, which we clearly did, in a very short period of time to where most people would say we're underlevered today. Our overall target in general is to be about 2.0x levered. We would flex up if need be, maybe to a STAHL level, but clearly, with the understanding that we have the ability and would be able to very quickly delever.

Christopher Keller: Great. Last question is regarding your sustainability initiatives. Thank you very much for proactively addressing that on your slide deck. I was wondering if you could give us some sense of what you think the material risk factors are for the environmental, social and governance pillars or your general sustainability risk factors, nothing detailed. I recognize you're going to come out with something on that later. Just trying to understand what you think the key risks are and how can you go about addressing them.

David Wilson: Sure. Thanks, Chris. As we focus on sustainability and our overall approach there, we've been really working to drive opportunities that are both quick-hit opportunities and then more longer-term strategic opportunities that we're addressing. We've brought on board a full-time resource who's helped us to organize around that and we've got a tremendous amount of enterprise engagement around our approach.

We've been able to get some information out about the company, our policies and our approach that I think have helped us to drive some improvements in our assessments as it relates to the social and governance scores associated with ESG. As you look at our environmental scores, we haven't seen as much of a progression there in terms of the outside agencies' assessments and ratings, but we have been very focused on driving improvements in those areas.

I think we have a pretty good story to tell, it's just a matter of telling it. So, we're working to make sure that we have that material available. We've established our baseline measurements and targets for improvement and we're driving a lot of work around site green team initiatives that drive improvements across the overall organization.

I feel like we're making great progress. I'd say that's our most material area of opportunity. Overall, I think we're in a pretty good position. It's more a matter of getting the information communicated and being in a position to leverage the momentum that we've built up and the engagement we have across the whole enterprise to drive those improvements.

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

David Wilson: Thank you, Chemaly, and thank you everyone for joining us today.

Our agile management team and the tools of CMBS are driving solid operating results in a difficult environment. We are realizing sequential growth, generating cash, and delivering better than we have historically in downturns.

The improving landscape is encouraging, and, importantly, we are making the pivot to growth with the evolution of our strategy to Blueprint for Growth 2.0.

We look forward to talking with you soon about our progress. Stay well, and have a great day!

Operator: This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.