Operator: Greetings, and welcome to the Columbus McKinnon Corporation Third Quarter Fiscal Year 2023 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Deborah Pawlowski, Investor Relations for CMCO. Thank you, Ms. Pawlowski. Please go ahead.

Deborah Pawlowski: Thank you, Donna, and good morning, everyone. We certainly appreciate your time today and your interest in Columbus McKinnon. Joining me here for the quarterly conference call are David Wilson, our President and CEO, and Greg Rustowicz, our Chief Financial Officer.

You should have a copy of the third quarter fiscal '23 financial results, which we released earlier this morning and, if not, you can access the release as well as the slides that will accompany our conversation today on our website at investors.columbusmckinnon.com. David and Greg will provide their formal remarks, after which, we will open the line for questions.

If you will turn to Slide 2 in the deck, I will 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 by the company with the Securities and Exchange Commission. You can find those documents 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. However, 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 reconciliation of non-GAAP measures with comparable GAAP measures in the tables that accompany today's release and slides.

So, with that, please advance to Slide 3 and I will turn the call over to David to begin.

David Wilson: Thanks, Deb, and good morning, everyone. Our results for the quarter demonstrate the steady progress we are making as we execute our plan to transform Columbus McKinnon into a higher margin, higher growth business.

There were several highlights in the quarter.

- Sales were up 11% on a constant currency basis as we captured price, increased volume to meet demand and the team successfully reduced past due backlog.
- Past due backlog was reduced by $16 million, or 28%, as we continued efforts to improve our customers' experience.
- We expanded operating margins by 170 basis points on a GAAP basis and 70 basis points on an adjusted basis.

- Q3 daily order rates increased 3% sequentially and order rates in January through last Friday are up nearly 6%
- Finally, we are seeing project activity that had stalled in Q3 begin to advance this month.

We remain bullish on megatrends that we expect will continue to drive opportunities for us even against a softening economic backdrop. Geopolitical shifts, transportation and logistics challenges, insufficient supply and the limitations of available labor are driving investment decisions that support automation, the reshoring of manufacturing, facility upgrades and expanded operational investment.

We continue to strengthen our balance sheet and improve our financial flexibility to execute on our strategy. We paid down $30 million in debt through the first nine months of our fiscal year and have brought our net debt leverage ratio to 2.7x.

We also repurchased approximately 31,000 shares at an average price of $32.17 in the quarter.

On **Slide 4**, I will update you on our strategic progress.

As mentioned earlier, growth in the quarter on a constant currency basis was 11%. I believe our new regional leadership team structure contributed to this success. In fact, sales to EMEA were up nearly 12% excluding the impact of FX driven by both price and volume.

We also continue to innovate to drive growth and introduced three new products in the quarter:

- A new medium duty belted conveyor that fills the gap between our current flagship products in capacity and capabilities. The new line includes many features that provide competitive advantages including flow accuracy, tracking and a slim profile.
- A new 4 - 1/2-ton hand chain hoist for the general industrial markets and
- We pre-launched a next generation wire rope hoist with variable frequency drive-controlled motion for better speed and position control. This solution also offers an easy upgrade path to a digitally connected footprint for diagnostics and remote monitoring.

Our NPD N-3 revenue, which we use to measure vitality, was 5 percent of total revenue on a year-to-date basis and remains ahead of plan.

Our most immediate opportunity is improving our customer experience in North America to gain market share and grow our customer base.

We have improved our internal customer service metrics including:

- Call wait times
- Quotation lead times
- Order entry times

- Engineered Drawing lead times
- Lead time accuracy
- Delivery status update accuracy, and
- Past due backlog reduction

We are laser focused on reducing delivery lead times and have created plans for each product that will reduce lead times to competitively advantaged levels.

While we are making progress on these initiatives, we are not yet satisfied with our results.

I should also mention that, in December, we successfully launched and went live with our new ERP system in Mexico. This is consistent with our Digital Initiatives roadmap and is expected to improve efficiency and enable our teams to more effectively address both internal and external customer needs. This also provides the foundation for future enterprise simplification efforts.

Despite supply chain headwinds and related production impacts, we continue to expand margins. We have now extracted $7.2 million in annualized costs through the business realignment efforts we initiated earlier this fiscal year. We have realized $4.7 million of these savings in fiscal year 23 and expect the balance to help offset further inflationary pressures in fiscal 24. Rest assured that we are also taking actions to identify additional costs that we can act on in fiscal '24.

We generated $6.5 million in free cash flow in the quarter and are expecting a significant increase in cash from operations in the fourth quarter as we reduce inventory and improve working capital.

Slide 5 depicts our adjusted gross margin progression over the last several years. Since fiscal '18, we have improved gross margin by 310 basis points and we believe we are on track to achieve our fiscal '27 objectives. As you can see on the slide, there are several levers we will address to achieve our targeted level approximating 40%.

I want to remind you **on slide 6** of where we are heading and why. We are transforming Columbus McKinnon into a leading motion control enterprise for material handling by leveraging our product portfolio and expanding into secular growth markets. We expect our strategy to shift our mix of business into our product platforms that command higher margins and have greater growth potential. By organizing around these platforms, we are also identifying larger addressable markets creating more opportunities for us to grow and succeed.

With that, let me turn the call over to Greg to discuss our financial results in greater detail. Greg?

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

On slide 7, net sales in the third quarter were $230.4 million dollars, up 10.5% from the prior-year period on a constant currency basis, and above the midpoint of the guidance we provided last quarter. As you know, the third quarter is impacted the most from a seasonality perspective as we had four less workdays in most geographies around the world compared with the previous quarter. Overall, we are pleased that we were able to reduce past due backlog by $16 million despite persistent supply chain challenges for motor, drives, and other components that we purchase. We also had delays in certain rail projects for various reasons that impacted revenue by about $4 million in Q3. This revenue is expected to be recognized in Q4.

Looking at our sales bridge, pricing gains of $11.9 million, or 5.5% accelerated as we converted orders to revenue at more current prices. This was up 60 basis points from our Q2 level. Volume increased, by 2.7% or $5.9 million which we will cover in the regional update. Acquisition revenue represents two months of sales from the Garvey acquisition which closed on December 1, 2021. This provided $4.9 million of incremental growth in the quarter. Foreign currency translation reduced sales by $(8.4) million, or (3.9)% of sales.

Let me provide a little color on sales by region. For the third quarter, the 9.9% growth we saw in the U.S. was driven by a 5.8% improvement in pricing. Acquired revenue, from Garvey, added 3.5% growth in the U.S. Sales volume was up 0.6%. Outside of the U.S., sales grew 11.4% on a constant currency basis. Pricing improved by 5.1% and sales volume increased by 5.9%. We were encouraged with the volume increases we saw which were approximately 12% in Latin America, 9% in Asia, 5% in Europe, the Middle East and Africa, or EMEA and 3% in Canada. We are especially encouraged by the volume gains in EMEA which represents 25% of our business. The region is proving to be resilient in the face of the war in the Ukraine and an energy crisis. Both our project business and short cycle business in Europe saw meaningful volume growth.

On slide 8, gross margin of 35.6% was up 90 basis points from the prior year. On an adjusted basis, gross margin was lower by 110 basis points compared with the prior year. Last year's third quarter was unusually strong as we didn't see our typical seasonal dip of roughly 100 basis points in gross margin. In the prior year, we benefited from a strong month from the Garvey acquisition as they delivered an exceptionally strong margin on a large project they shipped right after we acquired them. This quarter, we saw a more normal sequential dip in margins.

Third quarter gross profit increased $6.9 million compared with the prior year and was driven by several factors which you can see in the table. Let me comment on a few highlights on our gross profit bridge. Pricing net of material inflation added $5.9 million of gross profit which includes $6 million of material inflation in the quarter. We see material inflation decelerating as we enter Q4. We also had an unusual product liability settlement last year that did not repeat. The two incremental months in the quarter from the Garvey acquisition provided $1.9 million of gross profit on $4.9 million of

revenue. Offsetting these items was foreign currency translation which reduced gross profit by $2.8 million and lower factory productivity compared with the prior year of $3.7 million. The lower factory productivity was primarily at our Künzelsau facility as volume picked up for engineered to order production activity as our mix shifted to more ETO product which is more complex than standard product. This disrupted our planning and execution processes. This is being addressed as we add a new planning tool to increase the efficiency of this process.

Moving to **slide 9**, RSG&A expense was $55.4 million in the quarter, or 24.1% of sales. This included a purchase accounting item for $1.2 million related to contingent consideration paid to the owners of Garvey. The acquisition was structured with an earn-out provision based on delivering certain levels of EBITDA in the first year which was achieved this quarter. The $1.2 million represents the excess of what was estimated during purchase accounting. The total earn-out of $2 million was placed in escrow when the deal closed so there will not be a cash impact when paid in Q1 of next fiscal year. In addition, the sequential increase in RSG&A included $500 thousand of incremental business realignment and headquarters relocation costs. The remainder of the sequential increase was due to adjustments to our annual incentive plan accruals and stock compensation.

Compared with the prior year, RSG&A costs were higher by $1.9 million which includes the $1.2 million of contingent consideration for the Garvey acquisition which I just discussed. We also incurred $1.1 million of incremental business realignment costs related to our commercial reorganization and the incremental two months of the Garvey acquisition added $900 thousand to RSG&A costs as well. Offsetting these increases were foreign currency translation which reduced our costs by $1.8 million dollars. For the fiscal fourth quarter, we expect RSG&A expense to approximate $54 million. We are assessing further cost reduction opportunities as we plan for fiscal 24.

Turning to **slide 10**, operating income in the quarter increased 32% to $20.2 million and adjusted operating income was $23.5 million. Operating margin expanded 170 basis points reflecting pricing, acquisition performance and higher volumes. Adjusted operating margin was 10.2% of sales, a 70-basis point increase over the prior year.

As you can see on **slide 11**, we recorded GAAP earnings per diluted share for the quarter of $0.42 cents, up $0.08 cents vs. the prior year. Our tax rate on a GAAP basis was 28% in the quarter. For the full year, the tax rate is expected to be between 30% and 32%, which reflects a 6-percentage point impact from the two discrete items that we discussed on our Q1 earnings call.

Adjusted earnings per diluted share of $0.72 cents was up $0.12 cents from the prior year. While EPS was negatively impacted by $0.08 per share from higher interest expense vs. the prior year, we had a favorable impact from FX gains as well as mark to market investment gains which together, favorably impacted EPS by $0.12 cents per share, year over year.

Even though we are 60% hedged to interest rate exposure, interest expense is expected to increase to $7.6 million in the fourth quarter. Weighted average diluted shares outstanding will approximate 29 million and our pro-forma tax rate is 22% for calculating non-GAAP adjusted earnings per share.

On **slide 12**, our TTM Adjusted EBITDA margin was 15.7%. We are making steady progress towards our target of $1.5 billion in revenue with a 21% EBITDA margin in fiscal 27. Our Return on Invested Capital of 6.9% was impacted by the Garvey acquisition. ROIC is a key metric in our Long-term Incentive Plan and we expect to see this improve over time. We continue to advance our efforts to reduce overhead, improve productivity and simplify both our product lines and factories. We will also drive the top line as well. These are the key elements to delivering on our growth and profit goals.

Moving to **slide 13**, we had positive free cash flow of $6.5 million in the third quarter. This includes cash inflows from operating activities of $10.8 million and CapEx of $4.2 million. Third quarter cash flow was impacted by approximately $15 million of higher cash interest and cash tax payments compared to the prior year. As we turn to the fiscal fourth quarter, we expect strong free cash flow as we drive earnings and reduce working capital investments. Full year capital expenditures are expected to be in range of $13 to $15 million, or between $3.5 million to $5.5 million of CapEx in the fourth quarter.

Turning to **slide 14**, we have a strong and flexible capital structure comprised of a Term Loan B which requires $5.3 million of annual principal payments as well as an excess cash flow sweep depending on our total leverage ratio. We have been actively paying down our borrowings and made another $10 million payment in the quarter, bringing the total debt payments year-to-date to $30 million. We expect to pay an additional $10 million in the fourth quarter. The term loan B is 60% hedged with interest rate swaps that blend to a swap rate of approximately 2.08%

As of December 31st, our net debt leverage ratio was 2.7 times. We have prioritized debt repayment in the current environment and expect to see our leverage ratio drop to under 2.5x next quarter. As David noted, we took advantage of market conditions to repurchase about $1 million of stock in the quarter. Finally, our liquidity, which includes our cash on hand and Revolver availability, remains strong, and was approximately $166 million at the end of December.

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

David Wilson: Thanks, Greg. As mentioned earlier, daily order rates improved 3% sequentially in Q3. On a year over year basis, there were two major impacts that affected Q3 order levels. First, FX had a $9 million negative impact in the period. Second, there was a $9 million negative impact to orders resulting from the curtailment in new warehouse investment by a large e-commerce customer. YTD, orders for this customer are down approximately $25 million. While current order activity with this

customer has paused, we are highly engaged with them on other promising and innovative new projects.

I should also highlight that we are excited about other e-commerce applications that we are winning. We are working with several integrators that are serving end users who are looking for increased production efficiencies within their intra-logistics systems.

Our backlog remained stable at $329 million and was more current given the 28% reduction in past due orders we achieved in the period.

Let me wrap up on **slide 16** with some thoughts regarding our outlook.

First, looking to the fourth quarter, we expect to deliver quarterly revenue of about $240 to $250 million. This implies Fiscal '23 growth of 6% for the full year on a constant currency basis, which is in line with our strategic plan.

As mentioned earlier, we are planning for a measurable improvement in cash generation in the quarter through a reduction in working capital.

We are encouraged with the developing view of fiscal '24 as well. We anticipate that we can deliver growth on the order of low- to mid- single digits for the year.

While quotation-to-order conversion timing has been extended, customer activity and quotation levels have held up well and we are not seeing indications of an industrial recession.

We also think that a stabilizing environment will help advance projects that have been held-up in decision making processes.

There is actually quite a lot of activity in a number of our markets. For example,

- We see continued strength in the EV market -- whether it be for vehicle or battery production.
- Energy and utilities around the world are also very active – from water treatment, wastewater management and waste-to-energy power facilities to active oil production in the Middle East. Utilities are adding new plants and upgrading older facilities to drive improved efficiencies.
- Defense has also been active with missile elevation devices and chain hoists to erect mobile tents.
- In the Life Sciences market, we are providing automated pharmaceutical packaging and delivery systems for prescription fulfillment.
- Finally, I'd be remiss if I didn't mention that demand for our entertainment solutions continues to be solid.

We are hyper-focused on improving our customer's experience and are executing plans to do so. This will enable improved market share and expanded addressable markets.

As we look beyond Fiscal '23, given the activity we are seeing in our markets and our efforts to improve customer experience and our strong backlog, we expect to continue to grow even as the economy moderates.

We are committed to achieving our longer-term goals and expect to deliver additional, steady, proof points as we advance.

Donna, with that, we will open the call for questions.

Operator: [Operator Instructions] The first question is coming from Matt Summerville of D.A. Davidson. Please go ahead.

Will Jellison: Good morning. This is Will Jellison on for Matt Summerville today. Thanks for taking my questions. The first thing that I was curious about is, as we head into fiscal year 2024, how are you thinking about pricing entering that year, considering that in fiscal '23 to date, it's been especially strong. I'm also curious as to how you're approaching that equation as we head into the next periods as well.

David Wilson: Obviously, we've made a lot of pricing moves over the past 12 months as we've managed through inflation and tried to stay positive as it relates to price/cost. As we look into the new year and as we think about our bridge, looking at this year versus next year, we're thinking there might be another 3% to 4% that might translate as we look at where inflation rates might be, our cost position and where we think we have leverage within our portfolio.

Will Jellison: Understood; and then, Greg, I have a follow-up question for you from prepared remarks. It sounded like, during the quarter, if I interpreted correctly, you are able to actually net recover some of the sales that had been pushed out in prior periods as a result of supply chain. I was just curious if we could get a bit better understanding about what enabled that.

Greg Rustowicz: So, Will, what we actually saw was that supply chain constraints were about at the same level. It was better in certain components categories and worse than others. Net-net, we still had roughly a $24 million impact, which I think was maybe $1 million better than it was in the second fiscal quarter. Was there something else in the prepared remarks that led you to a different conclusion?

Will Jellison: No, I was just interpreting the comment of the $16 million past due backlog.

David Wilson: Will, this is David. I'll jump in a little bit. So, yes, we did reduce past due backlog by about $16 million sequentially in the quarter. That was a 28% reduction in total past due backlog. We were able to make progress as it related to supply chain delays as it relates to those particular items and our backlog is becoming more current. Greg's comment related to opportunities to even do better than what we did, given the items that were left on the dock, if you will, but we are continuing to make progress there and I think we are seeing some loosening in the supply chain. There are spot challenges that we're addressing every single hour. We are making progress there and expect to continue to make progress as we head through this quarter.

Will Jellison: Understood. Thank you for that clarification.

Operator: Thank you. The next question is coming from Steve Ferazani of Sidoti & Company. Please go ahead.

Steve Ferazani: Good morning, David. Good morning, Greg. I appreciate all the info on the call this morning. I have a couple of things I want to check in on. Greg, you explained a little bit the year-over-year gross margin decline. I think you alluded to a big Garvey order at the end of 3Q a year ago, but I'm just trying to make sure that's most of the change, particularly because your revenue was essentially flat sequentially where we saw the gross margin decline. I'm just trying to get a sense of gross margin trends.

Greg Rustowicz: Thanks for that, Steve. A year ago, our gross margins were, I believe, 37.2% in the quarter and they actually were at the same level as they were in the fiscal second quarter, so we didn't see our historical drop. What I was mentioning is that a large driver of why we didn't see our historical 100 basis point drop that we would typically see because of less workdays is that we had owned Garvey for 1 month, but they had a tremendous month of December with some meaningful revenue to one large customer that had almost 60% gross margin. It was very accretive and that's why we didn't see the typical drop.

Now, this year, we saw a drop of a little bit more than 100 basis points. I believe it was 160 basis points from Q2. What I talked about on the call was that we would normally expect that 100 basis points of that drop was due to fewer working days. There were only 60 working days in Q3 versus 64 days in the September quarter. But, in addition, we did have lower productivity, which is seen in our bridge largely driven by our Künzelsau factory in Germany, which is our largest, most complex and most highly engineered factory. We've seen more of a mix shift where we have more engineered to order product and less standard product, which is more complex and takes more time, and, also, we had issues just with the planning of these large projects. That impacted us as well in the quarter.

We are, Steve, introducing a solution for that challenge as we speak and are going live with a new production planning module for that facility that augments or supplements what we have in place today with our SAP solution to take that to a next level. We expect to see benefits for that, that will phase in our Q1 of next year time period. So, as we think about our Q4 gross margin, Steve, we would expect normally around a 37% gross margin. We're kind of in that zip code, especially with the additional workdays; however, we are going to see roughly an 80-basis point negative mix impact from some rail projects that are going to ship in the quarter. Our rail business is about $10 million of revenue and, typically, gross margins are much lower than the overall corporate average, so that is going to have about an 80 to 100 basis point impact.

David Wilson: Steve, those are the projects that have been delayed, given those supply chain issues we've talked about and so, there has been some pricing impacts, cost impacts, which are phasing through on those, a lot of electrical component and price adjustments and controls, that's also an impact of the lower margins. Typical volume in that business in a quarter is about 3x less than what we're shipping. That drives this mix shift and the margin impact that Greg is talking about roughly 80 basis points.

Steve Ferazani: So, when we think about this moving forward, even past this quarter, generally mix shift has been helping you because Dorner and Garvey have been growing

at a faster rate and at higher margin. You mentioned the e-commerce customer. How were you thinking about mix shift over the next multiple quarters in terms of what you're seeing from orders, et cetera?

David Wilson: Steve, we think we can continue to drive accretive margins in the business over the mid- to long-term. We have this issue that Greg just referred to in the period which is driven by the shipment of this very large volume of legacy orders that we need to get through the system, but we anticipate that the volume increases we would expect to see continuing to come from those faster growing segments as well as our own work around 80-20 productivity improvements, driven by a more stable and improving supply chain, will allow us to drive expanding margins.

Operator: Thank you. The next question is coming from Jon Tanwanteng of CJS Securities. Please go ahead.

Jon Tanwanteng: Good morning. Thanks for taking my questions. David, I was wondering, if you could just comment a little bit more on the visibility happening for the rest of 2024, are you actively planning for a soft landing at this point or something different? Are there places where you might expect any significant weakening from here or does your crystal ball tell you that things are going to stay pretty healthy at this point?

David Wilson: We have a pretty good bead on certain current activity and, as we look to the quotation and customer discussion activity, we see no signs of an industrial recession as we were talking about earlier in the prepared remarks. Obviously, our crystal ball doesn't go out years and years and, things can change. At this point, we're planning on a relatively soft landing. The way that we're thinking about the way the year develops, if there is an impact, it's an impact that would come later in our period. We're anticipating that we can deliver low- to mid- single-digit growth next year, given the current environment, the activity we're seeing in the marketplace, our improvement initiatives around shared gains and customer additions as well as the backlog that we have, which is still pretty robust.

Greg Rustowicz: To add on, Jon, we typically lag by a quarter or so and, as David mentioned, our backlog is very healthy currently. That will, I think, buffer us, even if there is a bit of a slowdown or recession later in our fiscal year.

Jon Tanwanteng: That's very helpful and encouraging to hear. Greg, I think I got the message on the longer-term margins and they are, from what you said, expanding, but did you give me directional thoughts on gross margins in the current quarter? I know it's usually a little bit better just on volume, but are there any other puts and takes that we should be aware of?

David Wilson: Jon, that was really what we talked about with Steve a few minutes ago, where, normally, we'd expect roughly the 37% gross margins in the fourth quarter, and they'd be expanded from our current levels, but we're going to have this negative mix impact from rail business that we think is roughly about an 80-basis point negative impact.

Jon Tanwanteng: Okay. And then, last of all, just in terms of the cash flow that you're expecting to generate in the near future, I assume that's working capital improvement. Is supply improving to the point where you can do that or is there something else that we should be thinking about?

Greg Rustowicz: No, it is largely going to be driven by working capital improvement. As you know, we're carrying almost $32 million more inventory than we started the year with. We've been working on this, and we expect to see meaningful improvement in our working capital utilization in the fourth quarter, and we'll see a really strong free cash flow in the quarter.

Operator: Thank you. The next question is coming from Walter Liptak of Seaport Research. Please go ahead.

Walter Liptak: Good morning. I just wanted to follow-up on the productivity system that you're putting in the ERP, has that started going in? I just want to get an idea of the size of that manufacturing location, maybe as a percentage of square footage or whatever. Are you expecting or could we see some disruptions similar to what we saw with that Europe ERP ramp?

David Wilson: We have a roughly 600-person manufacturing facility in Künzelsau, Germany. It's our largest manufacturing facility and it's from the STAHL acquisition effectively. We implemented SAP, went live, had good success in the wake of that implementation as we continue to ramp volume and have seen the mix shift that Greg referenced to a more engineered order. This mix shift in production had an impact on planning activities, somewhat impacted by supply chain challenges as well. That created a level of disruption in the period that led to productivity losses.

We are implementing an adjustment to the planning module for that system. It's an additional tool that we're confident will enable our highly complex ETO business to have a much more efficient planning and execution process and don't anticipate that'll have a disruptive impact on the business. We're implementing that as we speak and that will continue into the first quarter of next fiscal year when we'll start to see some benefits begin to be realized.

Walter Liptak: Okay, great. Thanks for that, David. And then, Greg, you talked about that $3.7 million productivity issue. I'm sorry, could you just provide the details of that again?

Greg Rustowicz: The negative productivity is largely due to this issue that we're talking about, with the mix shift at our Künzelsau factory. Remember, the STAHL business is the highly engineered explosion protected products. They have very, very complex bombs that are much more than SAP can handle, so we have to add an additional system onto it that will help us from a planning perspective. It really will improve our production planning as well as improve our capacity utilization, which is really where the productivity factor comes into play. That was the lion's share of the negative productivity that we had.

Walter Liptak: There was a comment, David, I think that you made about lower quote-to-order turns. When they asked about last quarter, and the second quarter, you called out that there was a lot of quoting activity. Was there something that changed in the last 3 months where there are delays in some of these quote-to-order times?

David Wilson: Quote activity, Walt, actually is remaining very robust. We're in great conversations with customers and there's high levels of demand around quotation activity. The conversion on those quotes to orders has taken longer, and we saw that began to take effect in Q2. We talked about that in the last call. That's what you're referring to, I believe. As we progressed through this quarter, we saw that continue, but we are also seeing many projects that had been stuck in that cycle start to break loose as we've come into January and that's very encouraging. I don't know, in all cases, what all the drivers are, but I would say, we're seeing a new capital budget as people enter their new fiscal periods and we're seeing a better view on stabilization around economic activity, perhaps, or a later cycle recession, if there's a view, there is a recession. And so, people are moving forward with investments that they were pausing on, as we saw them pause through the last couple of quarters.

So, the quotation activity, if I miscommunicated, that is not an issue. Demand and visibility look good. It's more the conversion and the timing on those projects and how they're coming through.

Walter Liptak: Thanks for that clarification. That sounds very good. Maybe just a last one for me. On the gross margin conversation, you have that 40% target, which is great, but it sounds like there's a little bit of a headwind this quarter. Once you get through that rail gross margin issue, are you looking for more step change like you had in 2023 and in 2024 is it going to be more incremental?

Greg Rustowicz: Walt, it's really going to be a continuous improvement process that we're going to see gross margins step up. In essence, we'll be exiting this year at roughly the 37% gross margin level and, over the next four plus years, we really would need about 300 basis points to get to the 40% gross margin in fiscal '27, so we think it's going to be more of a steady climb. I think it's going to be steady and progressive. We're going to try to put more proof points on the board each time we report and be pointing to how we're climbing that hill. If you think about it on a linearized basis, you might be thinking it's a 75-basis point kind of climb per year to get to that 40%. There will be some lumps in there with some larger initiatives that we have planned maybe a year plus out in terms of timing and impact, but the progression through productivity improvements, our 80-20 work, the work that we're doing around better management in the supply chain and the visibility to our planning will enable us, I think, to show steady and consistent progress.

Operator: Thank you. The next question is coming from Patrick Baumann of JPMorgan. Please go ahead.

Patrick Baumann: Good morning. I just have a quick one. Mechanically, on the backlog, with book-to-bill below one in the quarter, how did it hold up stable sequentially or what are kind of the moving parts there?

David Wilson: It was more FX driven, I guess, than anything else. If you think about the move in FX in the period, we saw book-to-bill that was less than one. We shipped $230 million; we booked $215 million and the gap is really the FX adjustment in the period.

Greg Rustowicz: It's all FX, Pat. The backlog is marked to market in U.S dollars as of December 31 and, as you know, the Euro moved quite a bit from basically being below $1.00 at the end of September to roughly, I think, today it's around $1.09, so it would have been around $1.08 roughly at the end of December.

Patrick Baumann: Okay. Understood, and on the orders dynamics, I think you said 6% growth in January, which I think you said is sequential versus maybe the third quarter?

David Wilson: That's right. Sequential versus the third quarter, up about 6% on a period-to-date basis through Friday of last week.

Patrick Baumann: So, you'd be close to $230 million maybe if that continued through the quarter from the $215 million number. My question is, assuming your supply chain eases so you can work down the backlog to more normal levels, what absolute level of orders do you think you need to support in outlook for low- to mid-single-digit growth in revenue in 2024?

David Wilson : We're forecasting that we see demand continue at current levels, that we are seeing a relatively stable base of activity through the period and we can support the level of outcome that we talked about with a stable base of demand. So, it's not overly aggressive or ambitious as it relates to increasing water activity, nor is it assuming any material declines in demand, and we're obviously working on initiatives that will help us to grow and to gain access to more opportunities.

If things do improve, we'll certainly be seeking to capitalize on them but we think that, with a basic, stable, continuous performance like we've been having, we can execute to those levels.

Patrick Baumann: I think you've said this in the past, what's the normal backlog level? What's kind of a more normalized level than the 330 million that you're at right now?

Greg Rustowicz: If you look at the legacy business, we have about $125 million more backlog than historical levels. We used to run at roughly $160 million of backlog, so that will take you to 285 million. The difference between 329 and 285 is the precision conveyance backlog for Garvey and Dorner.

Patrick Baumann: Okay, that's helpful. I just have one quick one on the RSG&A side. Regarding the commentary in the slides and, I think, on the intro around working to find more cost reductions, can you give some color on the actions you're taking there? That may be actions you've already taken as well. How should we think about the run rate of RSG&A into next year?

David Wilson: Pat, we were not satisfied with our RSG&A as a percentage of sales and, as we plan for next year and we think about the sales volume that we have in the business, given the moderate growth that we were talking about, we think that there's a need for us to be more proactive as it relates to the cost base. Clearly, what we've said in previous discussions is that we are going to get benefit from scale and that's very true. As we execute on our strategy and grow the business, there are opportunities for us to get good scale on the investments that we have in place, but we're also taking a proactive approach to the new structure that we put in place that enables us to unlock, we think, some more value as it relates to that cost structure. We're taking a hard look at that in the period. We're not giving a specific guide at this point, but, you know, we'll probably be more prepared to talk about that as we enter Q1 and finish up this year.

Greg Rustowicz: Pat, overall, as we think about our long-term target of the 21% EBITDA margin, we're looking at roughly 40% gross margins, SG&A as a percent of sales of roughly 21%, and then, there's a point and a half point add back for depreciation. So, getting to 21% is a combination of being really efficient with our spend, but also scaling, as David mentioned.

Patrick Baumann: So, in a year in which maybe the growth isn't as high as you would want in the long-term plan. you would look to be more efficient, I guess, on your spend, it sounds like.

Greg Rustowicz: Yes, and look at structural cost. We will benefit from a lot of the IT investments that we've made in digital investments over the past year, including a couple of SAP implementations this past year, both in Künzelsau as well as in Mexico.

Operator: Thank you. [Operator Instructions] The next question is coming from Jon Tanwanteng of CJS Securities. Please proceed with your follow-up question.

Jon Tanwanteng: I just have a follow-up on the large customer that’s currently paused in e-commerce. Do you expect them to come back in the near term at any point and would it be at a similar level of scale or something different? I assume their push for automation isn’t going to decrease at all, so I was just wondering what your thoughts are.

David Wilson: Jon, we are very actively engaged in dialogue with them as a customer and are working with them, and many other customers in the space, and we are excited about the opportunities that exist there. Obviously, it's a pretty material impact to absorbed in a nine-month period, but we are really proud of the team and really excited about the investments we've made in the space, and think that the longer-term opportunities there are really great. So, when you look at what will happen over time and the CapEx that will be spent in automating delivery and execution, as people think about e-commerce or e-delivery, we think we're going to really see some nice developments there, both with this customer and others. The discussions that we're having involve project opportunities that are every bit as large as what we've experienced in the past and could be even more significant, but obviously, that depends on timing and how things develop and the pace at which they do. When you look more

broadly, at the market in general, and you think about the distribution and execution of order fulfillment, the automation needs in that environment, and our focus on being very relevant there, I think there's a nice opportunity.

Jon Tanwanteng: Got it. And then, just coming back to the improvement in cash flow, I know you're planning to pay down $10 million in debt. What's the plan for the excess at this point? I know you've been repurchasing some shares. Are you planning to keep that powder dry or is there a potential use of the capital?

Greg Rustowicz: We will be pushing the entire quarter on the cash front to reduce inventory and collect more receivables, et cetera. The last couple of weeks of the quarter is when we see a pretty significant spike as we're putting the full court press on, so we'll probably end up with the cash on the balance sheet.

Operator: Thank you. At this time, we're showing no additional questions in queue. I'd like to turn the floor back over to management for any additional or closing comments.

David Wilson: Thank you, Donna. We appreciate everyone's interest in CMCO. In closing, Q3 represented another proof point along the path to delivering on our strategic objectives. We had double digit growth on a constant currency basis, a 32% increase in operating income, made progress towards improving customer experience metrics and further reduced debt. We are excited about our future and look forward to updating you again after we close out the fiscal year.

Operator: Ladies and gentlemen, this concludes today's event. You may disconnect your lines at this time or log off the webcast and enjoy the rest of your day.

Note: This transcript has been edited slightly to make it more readable. It is not intended to be a verbatim recreation of the Columbus McKinnon Corporation (CMCO) financial results teleconference and webcast that occurred on the date noted. Please refer to the webcast version of the call, which is available on the Company's website (www.columbusmckinnon.com), as well as to information available on the SEC's website (www.sec.gov) before making an investment decision. Please also refer to the opening remarks of this call for CMCO's announcement concerning forward-looking statements that were made during this call.