Operator: Greetings, and welcome to the Columbus McKinnon Corporation First 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, Jerry, 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 first quarter fiscal 2021 financial results, which we released this morning before the market. If not, you can access the release as well as the slides that will accompany our conversation today at our website, www.columbusmckinnon.com.

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

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

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

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

David Wilson: Thanks, Deb. I'm happy to join you today for my first official earnings call and what I anticipate will be an exciting and rewarding journey together. It's been a very busy and fast-paced eight weeks for me at Columbus McKinnon, and I'm glad to report that my family and I are now officially residents of Buffalo. We've also recently completed our New York state quarantine restriction period.

I've been impressed with the responsiveness and agility of the management team during these unprecedented times. While onboarding in this environment has been somewhat of a challenge, I have been able to visit key Columbus McKinnon enterprise locations and manufacturing sites, as well as meet with a good number of our team members in person. Technology has enabled me to actively interact with our team where I have not been able to travel and meet in person. I've really enjoyed the energy and the passion of our team, their commitment to driving results and the opportunity to begin building relationships with our customers and shareholders.

I see a great deal of potential here. I believe we can strengthen our business operating system and continue to drive sustainable operating improvement. I also see the potential to deliver both organic and strategic growth by advancing our processes supporting marketing, product management, new product development and corporate development.

Our first quarter results validated the improvements in the Company's business model that have been implemented over the past few years, and also demonstrated the effectiveness of the quick actions taken to protect earnings, generate cash and adapt to a rapidly evolving environment. We achieved our goal of positive operating income and cash generation, even as revenue was down 35% year-over-year. In fact, our gross margin of 32.2% this quarter, which we believe is the trough, compares favorably with the peak gross margins the business had achieved prior to the 2008 recession. As noted, we were positive at the operating income level with GAAP operating income of $1.8 million and adjusted operating income of $5 million.

While Columbus McKinnon has successfully generated cash through all cycles, E-PAS™, our business operating system has further improved that capability. We generated $9.5 million in cash from operations in the quarter and given reprioritized capital expenditures, we had free cash flow of $8.4 million.

Today, Columbus McKinnon has a healthy balance sheet and a fair amount of dry powder. Our net debt leverage ratio was just 1.2x, and we have liquidity of over $210 million. This positions us well to be on the offensive as our markets recover and as we advance Phase III of our Blueprint for Growth strategy.

If you will turn to **Slide 4**, I'll update you on the progress we have made by leveraging our business operating system to improve our performance. Our E-PAS™ cadence provided the visibility and rigor needed to define and implement the actions required to address the dramatic decline in demand related to the COVID-19 pandemic. This enabled us to achieve our positive operating income and cash-generation goals. In addition, we capitalized on the situation and accelerated operational excellence plans to structurally reduce indirect overhead costs and improve the earnings power of the organization.

For fiscal 2021, we expect to reduce annualized costs by approximately $11 million. About $6 million of this is related to the 80/20 Process and facility consolidations. We are now down to a total of 15 manufacturing facilities from 22 just 3 years ago. Our actions have also created structural changes resulting in approximately $5 million in our SG&A and factory indirect overhead cost savings.

While we believe the trough is behind us, we continue to proactively manage our costs. As demand improved throughout the quarter, we recalled about 130 furloughed associates. However, there were about 238 of our team members still furloughed at the end of June.

Let me now turn it over to Greg to provide more detail on our financial results.

Greg Rustowicz: Thank you, David. Good morning, everyone.

On **Slide 5**, you can see that net sales in the first quarter were $139.1 million. Demand was severely impacted by COVID-19. This was not a surprise to us as we expected first quarter fiscal 2021 revenue of approximately $130 million to $140 million and we finished at the top end

of our previous guidance for revenue. Order rates improved monthly throughout the quarter as the U.S. and many countries globally began to open up again.

Looking at our sales bridge, volume declined by $74 million, or 34.8%. While volume was down, we did realize positive pricing as we saw year-over-year pricing improve by 1.1%. All this price improvement was implemented prior to April 1. Foreign currency was a modest headwind and reduced our sales by $2 million.

Let me provide a little color on sales by region. For the first quarter, we saw sales volume decline in the U.S. by 37.2%. This was partially offset by price increases of 1.2%. Outside of the U.S., sales volume was down 32%, which was partially offset by price increases of 1.1%. Sales volume was down 43% in Canada, 39% in Latin America, 32% in APAC and down just 30% in EMEA.

Turning to orders and backlog, both our short-cycle and project-based businesses saw different order pattern declines. Adjusted for the impact of foreign currency, overall orders were down year-over-year by 29.6%. Our short-cycle business was down year-over-year and sequentially, almost 40%, and our project business was down 20%. Our short-cycle business primarily sells through distribution and saw an immediate decline in orders when states and countries began shutting down, whereas our project business continued to a large degree as many projects that have been previously quoted were turned into orders. Order rates did improve sequentially high single-digit percentages in May and June from the April trough. This trend has accelerated in July. Going into our fiscal second quarter, backlog was essentially unchanged at about $131 million.

While there is much uncertainty globally on the effects of COVID-19 and the shape of the recovery, we believe that we will see sequential improvement in orders and sales going forward. Yet, we are being very cautious as we continually monitor the channel and follow macroeconomic indicators. We believe inventory in the channel is balanced for the current demand levels. All of our factories are operating today, and we are flexing production back up as demand improves. Our strong market position in leading brands continue to serve us well, especially in times like these. We continue to focus on customer responsiveness and on-time delivery, and we believe in this environment, this will be more important than ever.

On **Slide 6**, our gross margin was 32.2% in the quarter. On an adjusted basis, eliminating the effects of factory closure costs and business realignment costs, we achieved an adjusted gross margin for the quarter of 33.8%. To put this into perspective, as David previously mentioned, our peak gross margin prior to the Great Recession in 2008 was 32.1%. We have clearly improved our mix of businesses and have benefited from our 80/20 Process and operational excellence initiatives. The 80/20 Process contributed $1.9 million of 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. First quarter gross profit of $44.8 million was down $30.8 million compared to the prior year. This was driven by a $27 million impact from lower sales volumes. We did see gross profit expansion from pricing, as previously mentioned, and we experienced no material cost inflation in the quarter. Tariffs were lower than the prior year as we imported less Chinese product. We incurred $1.4 million of incremental one-time costs for factory closures. Besides the footprint consolidation in Ohio, which finished up in July,

we also completed a footprint consolidation at our 22,000 square foot facility in France. Foreign currency translation reduced gross profit by $600,000. Productivity, net of other cost changes, was negative $4.3 million. While we took significant action to flex our workforce to meet demand, we weren't able to fully absorb all of our factory fixed costs in the quarter.

As shown on **Slide 7**, RSG&A was $39.9 million in the quarter, or 28.7% of sales. RSG&A was approximately $5.2 million lower than the previous year. The reduction in RSG&A was due to several factors. We lowered our RSG&A cost by $6.7 million, which included lower headcount, limited travel costs and no bonus accruals. We also benefited from FX translation of approximately $600,000. This was partially offset by $1 million of additional costs related to David joining the Company as well as $1.1 million in higher bad debt accruals related to a handful of specific accounts. With the current COVID-19 pandemic, we have taken quick and decisive action to reduce our RSG&A costs as evidenced this quarter. We will continue to monitor demand levels and will responsibly add back some of these costs when the time is right. Taking all of this into account, including the structural cost changes implemented in fiscal Q1, we are forecasting Q2 FY21 RSG&A of approximately $38.5 million.

Turning to **Slide 8**. Adjusted operating income was $5 million. Adjusted operating margin was 3.6% of sales, a 960 basis point decline from the prior year. The driver of this decline was the impact that COVID-19 had on our sales volume. Decremental adjusted operating leverage in the quarter was a negative 31%, which is significantly better than what we saw during the Great Recession when we experienced decremental operating leverage of 38%. Our Blueprint for Growth strategy, and specifically our 80/20 Process and operational excellence initiatives, have improved our business model and better enable us to perform in a significant recession.

As you can see on **Slide 9**, we recorded a GAAP loss per diluted share for the quarter of $0.12. This includes about $0.09 per share impact related to pension settlement expense as we are in the process of terminating one of our U.S. pension plans. GAAP EPS was also impacted by factory closure costs and business realignment costs of $3.1 million, or $0.10 per share. Adjusted earnings per diluted share was $0.07 compared with $0.81 in the previous year, a decrease of $0.74 per share.

I should also note that during this current quarter, we expect an additional non-cash charge of $15 million to $18 million for the final settlement to terminate this pension plan. I would like to note that this plan will be in a surplus position of $2 million to $3 million after all termination expenses are paid. This is part of our strategy to de-risk our defined benefit pension plans. We expect fiscal 21's full year tax rate to be approximately 21% to 22%.

On **Slide 10**, our adjusted EBITDA margin on a trailing-twelve-month basis declined to 14.1% as a result of COVID-19. Our return on invested capital also declined to 8.9%. We are continuing to target 19% EBITDA margins and ROIC in the mid-teens, but the timing for the achievement of this objective will be impacted by the shape of the recovery curve from COVID-19.

Moving to **Slide 11**, you have heard me say many times that one of the hallmarks of Columbus McKinnon is its ability to generate cash throughout the business cycle. Net cash from operating activities for the quarter was $9.5 million, which was a year-over-year increase of $11.7 million. We took rapid actions to preserve and generate cash. Our working capital as a percent of sales

was 14.9%, which contributed to our free cash flow improvement. Going forward, we believe we still have opportunities to reduce our inventory levels further. We are maintaining our CapEx guidance at $5 million for the first half of the year and will reassess our CapEx spend for the second half of the year based on economic conditions.

Turning to **Slide 12**. Our total debt at the end of the quarter was approximately $276 million, and our net debt was approximately $124 million. Our net debt to net total capitalization is now approximately 21%. We repaid the minimum required principal payments in Q1 of $1.1 million and plan to pay the same amount quarterly for the remainder of fiscal '21. We have made excellent progress delevering and have achieved the net debt to adjusted EBITDA leverage ratio of 1.2x, which provides us sufficient financial flexibility to weather the current pandemic. We have a flexible capital structure, which is covenant-lite, which means our financial covenant is only tested if we have outstanding borrowings against our revolver. While we did draw $25 million on our revolver for liquidity and working capital purposes in the quarter, we expect to repay this borrowing in early October. Finally, liquidity remains strong at over $210 million.

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

David Wilson: Thanks, Greg. Orders dropped 31% in the first quarter year-over-year and 30% sequentially, but encouragingly improved through the quarter into July. In fact, orders were up 25% in July through last Friday, driven by our projects business. Our monthly short-cycle orders were up in the mid-teens.

Our expectation for the second quarter this year is for revenue to be in the range of about $150 million to $160 million. At the midpoint of our guidance, revenue would be up about 12% from the trailing first quarter and down about 25% from last year's second quarter. We remain focused on generating positive operating income and cash flow in this depressed environment. Importantly, we're prepared to respond to market conditions, both positively and negatively. I would say at this time though, while there is improvement sequentially in our end markets, customers remain cautious.

Let me touch on the status of a few markets. The utility market is improving as projects came back to life. The hurricane season in the Southeast and Gulf Coast region should also help demand. The North American automotive market has improved but is still running at less than full capacity. We see opportunities in this market with our ProPath™ system as manufacturers look at ways to provide additional lifting capacity for moving components within workstations in order to provide sufficient distance between employees. In fact, our ProPath system could be a great solution in a large variety of workstation environments across multiple industries. Entertainment remains heavily impacted by the pandemic and the elimination of venues that attract crowds and efforts to stem its spread. While we have seen some fixed venue installation projects advancing, traveling concerts and trade shows have been postponed. To keep things in context, this market vertical represents about 3% of our business during normal conditions.

Commercial construction is expected to pick up this quarter, and we're encouraged with our oil and gas activity. Projects in the Middle East and Asia are continuing to move forward. As you know, orders in the rail business tend to be lumpy. But despite COVID-19 conditions, orders were up nearly $2 million in the quarter, an 86% increase over fiscal 20's first quarter orders. Quote activity remained solid as well. Although given travel restrictions, sales have been

impacted due to border closings, preventing deliveries and installations. In sum, we are seeing improvements in several of the markets we serve. As noted earlier, our balance sheet is strong. We are focusing our capital on growth and maintaining our dividend at current levels.

I'm excited about the refinements and advancements we are developing for the Blueprint for Growth strategy. The strategy has established a foundation that we must continue to fortify with the effective applications of the tools of our business operating system, E-PAS. This includes 80/20, strategy development and lean manufacturing processes, among others. We also need to encourage and develop talent within our organization to drive innovation. Beyond these reinforcements that will improve our competitive position, we need to advance our growth in Phase III and understand the market opportunities we can capture where our strengths and capabilities provide our customers with clear advantages. We are focused on becoming a more market-led, customer-centric and operationally excellent business with a purpose-driven culture. I believe this will uncover potential we have not yet realized. We are progressing on all of these fronts, and I look forward to updating you with greater specificity in the future.

Operator, we can now open the line for questions.

Operator: [Operator Instructions] The first question is from Chris Howe, Barrington Research.

Chris Howe: You mentioned the orders and how they're trending in May, June. As we look into July, you're seeing some high single-digit growth there. On the gross margin line, can you comment on how gross margin looked sequentially on a monthly basis in the quarter?

David Wilson: Chris, we don't generally comment on gross margin performance, but I will say that as volumes increase, we anticipate that we would start to leverage slightly better. I'll ask Greg if he has specific comments he'd like to add, but that's my general response.

Greg Rustowicz: There are certain adjustments that only get made on the quarter. It's a little trickier to look at the improvement in gross margin on a month-by-month basis, but going forward, we will benefit from the footprint consolidations we had. On the contrary, we are expecting to take our inventory levels further down, which would mean that there will be less production than what you would normally expect. Net-net going forward, we would expect to see some marginal, slight improvement in gross margins.

Chris Howe: Great. You touched on my one follow-up question regarding the $11 million in savings potential for this fiscal year '21 a little bit. Can you comment on some additional upside or the backlog of savings opportunities as Phase II continues, perhaps some opportunities further out in fiscal year '22 that are maybe in the earlier innings or could be more realized as the demand environment normalizes.

David Wilson: Sure, Chris. Let me start, and then I'll ask Greg to comment further. We really believe that we're in the mid-innings, if you will, of Phase II of our Blueprint for Growth strategy. There are further opportunities as we look at improvements we can realize through 80/20 including our plant and product line rationalization initiatives as well as work we need to do on our operating cost structure, indirect overhead rates and so forth. I believe there's room for us to continue to advance in terms of improvement there over both the remainder of this fiscal year and into next fiscal 2022. I'm encouraged by early views that I've been able to see, and at this time I'll ask Greg if he has further comments that he'd like to make.

Greg Rustowicz: Chris, specific to Slide 4, the $6+ million represent the $5 million of factory consolidations, which we expect this year, and some of it was realized in Q1, specifically related to our Chinese footprint consolidation. The benefit of 80/20 in that $6+ million is slightly over $1 million. It's very difficult to forecast what that's going to be for the next three quarters because in a lot of cases, it is volume-dependent. So to the extent volumes come back, the plus in that number will obviously come into play. The $5 million is what we would expect to see on a run rate basis. If you divide that by four, that's what we will expect to see on a run rate basis over the next three quarters.

David Wilson: Chris, this is David again. I would just add that the targets we established for our EBITDA performance over time remain at the levels we communicated during the Investor Day last year. We're targeting 19% EBITDA margins or better and although the timing is impacted given COVID-19, we still believe that our Blueprint for Growth strategy and the execution of our business operating system elements will enable us to achieve that outcome.

Operator: The next question is from Mike Shlisky, Colliers Securities.

Mike Shlisky: I want to start off asking about some of the M&A that you briefly touched on during the comments. I know you have come to us with a good view on M&A and have gotten a lot of deals under your belt in the past. In the two months that you've been there, can you give us any sense as to, A) are there a lot of targets out there that are available even during the pandemic? and B) based on what you know, do you think the valuations are somewhat reasonable right now, and given your relatively low leverage, to get a deal done in the kind of near term?

David Wilson: Sure, Mike. Thank you. We are continuing to evaluate companies that move through our funnel. We have a good process to source and screen deals, and we have a corporate development function that's actively evaluating and paying attention to how the markets are developing. We know deal volume and value is down in the calendar second quarter. We are being disciplined in the way that we evaluate and look at those opportunities, and we'll continue to be disciplined as we evaluate options going forward.

We're also making sure that we're really focused on areas that are most attractive to us as it relates to our strategy. We're going through a process right now as a leadership team of refining our strategy and making sure that we further clarify the specific areas that we're going to target both organically and through strategic actions like M&A. I believe that there will be very attractive opportunities for us, we'll continue to evaluate the funnel and we'll talk to you more about specifics as we're prepared to do that. However, we're encouraged that we have a healthy balance sheet, and we're also encouraged that we're positioned well in an environment where valuations might be even more attractive.

Mike Shlisky: Okay. Great. That's great color. I also wanted to ask separately about the termination of the U.S. pension plan. Is there something to think about from a cost perspective going forward or are the costs and contributions that you make somewhat equal to the previous accruals or even the cash costs of the old pension plan; or maybe everything a little less volatile over time?

Greg Rustowicz: Clearly, pension plans are highly subject to changes in interest rates. In this particular plan, which is one of three U.S. pension plans, we're in an overfunded position. We

haven't been funding it from a cash perspective for the last couple of years and with our LDI strategy, most of the assets, prior to the termination, have been moved into cash given its overfunded position. I think it's going to have a very immaterial impact on operating income and net income on a go-forward basis, but clearly, it takes risk off the table and will leave us with two U.S. pension plans. We also have about three German pension plans that are unfunded plans, the largest being the one that came with STAHL. This should result in some cash coming back to the Company that it will be able to utilize for other purposes when we do terminate it.

Mike Shlisky: Okay. From a cost perspective, like on a quarter-by-quarter basis, there's not going to be much change just given the size of the plan?

Greg Rustowicz: Correct.

Operator: We have a question from Walter Liptak, Seaport.

Walter Liptak: I wanted to ask about the comments on July. I thought I heard you say that July was up mid-teens or was it high single digit?

David Wilson: Order rates overall in July in total were up 25% sequentially from June, but that's total. That includes projects, and projects drove the majority of that number. Our short-cycle order rates were up 16% versus June sequentially, and that was through last Friday.

Walter Liptak: Okay, great. In terms of the $150 million to $160 million, what's the difference between the low end and the high end? It looks like the run rate might take you closer to the high end, the $160 million range where you are right now. Is there some seasonality in the quarter maybe in Europe in August? What should we be thinking about there?

Greg Rustowicz: You're thinking about it exactly right. Clearly, the big unknown is August in Europe. Are we going to see a typical slower August where people are off on vacation off to the beaches or is this going to be somewhat of a different August where people are not going to be doing that and businesses are going to remain open for the most part? You're exactly right, it's really related to what to expect in Europe in August.

However, the other factor is the projects business. So far in July, we've had very strong projects, especially with our STAHL business in the oil and gas sector. That project business has been up over 30% so far in July. Once again, it's a lumpy business, and it depends on when quotes are received. A lot of the project business is also for delivery beyond the current quarter. When you look at our backlog, we've got about $78 million of backlog that's available for shipping, so at the high end, we have about half of the quarter covered.

Walter Liptak: Got it. In the short-cycle business in Europe, was that up mid-single digits too?

Greg Rustowicz: Yes, it was comparable to the overall short-cycle numbers that David quoted.

Walter Liptak: Okay. Great. To take it to the next step, once we do start getting a recovery in your markets, what kind of incremental leverage do you think you'll get to the business?

Greg Rustowicz: We typically had extremely positive leverage on the positive side as we've implemented our operational excellence initiatives including 80/20. I think last year, in fiscal '20, we actually had a decline in revenue, and operating income was about the same, all things considered. Normally, I would say it's in the 40% level, but considering the changes we made to

improve the business such as footprint consolidation and so forth, the last couple of years, and I don't have the numbers in front of me, have been significantly higher than the 40% level.

David Wilson: As we mentioned, we're going to continue to look at opportunities to advance our cost position and benefits we can realize through Phase II activities associated with the Blueprint for Growth strategy. As Greg highlighted, the incrementals should be attractive, and we're going to continue to look at opportunities as volume comes back to better leverage our structure and our assets.

Operator: The next question is from Greg Palm, Craig-Hallum.

Greg Palm: To start off some earlier commentary about inventory levels related to the short-cycle business, do you have any sense at how inventory levels are in the channel? I think you were talking about a 16% increase in orders since June. Is that real demand or is there some sort of restocking involved?

David Wilson: I think it's a pretty balanced channel right now, Greg. Based on conversations we've had with our channel partners, we know that there was some destocking or some reductions in stock levels that occurred beginning in the fourth quarter of last year and into the first quarter of this year and maybe even the third quarter of our fiscal calendar year last year. So we think that levels are relatively balanced. In earlier conversations with customers dating back a few weeks, there was a talk of potentially increasing stock level or stocking orders, but follow-up conversations subsequent to that suggested some level of caution as it related to that given a resurgence of COVID. We're in a position where we're seeing real demand, and we think that the stocking levels are relatively balanced. I'll ask Greg if there's anything that he wants to add to that.

Greg Rustowicz: No. I think, David, answered it the way I would have answered it as well.

Greg Palm: Okay. Good. Given everything going on at the moment, what's the interest level for automation, some of the other solutions you've either introduced or started to launch? How are you prioritizing investments right now in light of everything going on?

David Wilson: We're very focused on developing the automation portion of our business. We have introduced some nice new products. I think you probably saw the release relative to our Intelli-Lift™ product. We are seeing very active interest in our markets relative to what we can bring to bear in the space. We're having active conversations with a number of customers, and we're seeing that portion of the business grow rapidly. We're also very focused on it as part of our future strategic development. It's an area of the business that we're attracted to. We think that there are megatrends or macro developments around that space. Given COVID-19 and the need for more separation between workers, that activity in addition to work we could do around workstation cranes with our ProPath system, are areas that we think could be pretty attractive for the business going forward.

Operator: The next question is from Joe Mondillo, Sidoti.

Joe Mondillo: I apologize if I ask a question that's already been asked. I missed a little portion of the call, but I was wondering, a lot of companies, including yourself, I believe, went through a lot of temporary cost cuts in addition to the permanent structural cost cuts that you've been focusing on in the second quarter. I'm curious on how you think about if there's any fixed

temporary costs that were reduced related to the COVID shutdown economy that come back later in the year, maybe not relatively tied to revenue. Just curious on how that affects margins?

David Wilson: Yes, sure. Let me start, and then I'll ask Greg to finish. In the quarter, we had a peak, if you will, of 410 people that were furloughed. We called back 130 of those. We also had some severance activity in the period as well. Slide 4 spoke to our cost actions and highlights our full year annualized savings estimates at $11 million. What you can see highlighted on that slide is that at the end of the quarter, of that 410 employees that were furloughed, we recalled 130, we had some severances and we had a remainder of 238 people on furlough at the end of the period. So, we're adjusting that level based on volumes. As volumes come back and we need to ramp up, we'll be adjusting those levels.

However, we're also being very mindful of accelerating opportunities for our operational excellence initiatives in our manufacturing areas, particularly as it relates to indirect overhead. There is the opportunity to be more efficient with the resources we have in place and those we bring back. I think that speaks to some areas where we have costs that may come back. We've also been very, very diligent about travel and other spending. We've been focused on all discretionary spend, and we reduced most of that to really responsible levels. As we see things develop and markets starting to return to a higher level of performance, we'd look to invest more money in areas where we can get good returns. I think you'll start to see some of that come back. I'll ask Greg to comment further.

Greg Rustowicz: Sure. Joe, you might recall that on the last earnings call, we talked about basically lowering our cost base by about $36 million annually or about $9 million a quarter. That included things like headcount reductions, bonus accruals for the management team, T&E, professional services, 401k matches and a cadre of other cost-reduction initiatives to protect earnings and generate free cash flow. At the time, we said most of that will get added back down the road, but I think the new update is that of those cost reductions that we had highlighted, back in the May time frame, that we've structurally taken out $5 million of cost that will not get added back, and that's what David was highlighting on Slide 4.

Joe Mondillo: Okay. Perfect. Can you remind us how your business is affected? If you expect any material effect to the movement in the U.S. dollar because it's been pretty drastic over the last several months, and people are calling that maybe that continues to fall. I'm just wondering how that affects your business.

Greg Rustowicz: Sure. As you know, we're highly sensitive to the euro. That's our single largest currency exposure that we have, and then probably secondarily to the Sterling and the Canadian dollar. With current rates as of today, we expect that on a year-over-year basis, foreign currency will be a positive tailwind of about $1.5 million, and that's embedded in our revenue guidance of $150 million to $160 million in Q2.

Joe Mondillo: You don't do any exports, right? Is that a possibility at some point?

Greg Rustowicz: In total, we have intercompany sales over $50 million a year of product in normal times. That's product going from China to Europe, China to the U.S., Mexico to China, U.S. to Europe. We're an international Company, and we have lots of different flows, but clearly, if the euro were to continue to get stronger, that certainly makes our U.S.-manufactured product that much more competitive.

Joe Mondillo: Okay. Lastly, with regards to COVID and outbreaks, are you seeing any material effect to your business regarding some of these waves, specifically maybe Mexico or with some of your supply chain? Any effect with any of these second waves of COVID?

David Wilson: We're obviously continuing to monitor all developments as closely as we can and the safety of our associates remains our top priority. We're happy to report that all of our operating locations are operating as essential businesses today. We have been able to respond quickly where we have had any associates that have been affected and then do contact tracing and adjust accordingly. I'm really pleased with the systems and the tools and the approach we've been taking as it relates to that. Currently, positive cases within the business are totaling six and a total of eight that would be quarantined in addition to those six that are tied to contact tracing requirements. That's of our global population of employees around the world of 3,000 employees.

Joe Mondillo: Okay. Any supply chain issues that are material at all that you're seeing?

David Wilson: We monitor that very closely as well. As of right now, we haven't encountered any impactful supply chain or delivery issues that we haven't been able to work through via careful planning, alternative sourcing, et cetera.

Greg Rustowicz: That would also include logistics; no issues from a logistics perspective either.

David Wilson: Obviously, that's a current answer. We monitor that very actively and try to be as responsive as we can. We've been fortunate to be in the position that we're in where we don't have anything that's impactful right now.

Operator: We have a question from Jon Tanwanteng, CJS Securities.

Jon Tanwanteng: Congrats on a nice quarter. First question from me. I think, David, you made a comment, you were still in the middle innings of the 80/20 Process. I was wondering how much more gas you have left in the tank? You've obviously realized a lot of cost savings from that already. I know some of that is also volume-dependent, but how much more low-hanging fruit is there really in the plan as we look forward, assuming a moderate recovery going forward just in terms of cost savings?

David Wilson: Much of the low-hanging fruit has been addressed, and we're into the work that's a little bit more complex; I wouldn't say challenging to address, but a little more refined. Product line simplification remains an opportunity for the business, which is something that we're looking hard at and working towards accelerating progress on.

In addition, as you look at our rationalization efforts thus far, most of those have been concentrated in the U.S. and a little bit in Asia. Logically, there would be further opportunities to review that as it relates to our entire global footprint. We continue to look at those opportunities. I believe there is, as I indicated, more runway and I think we're in the middle innings. We're moving into that next phase of work that's a little more sophisticated than some of the early-stage actions that have been taken.

Jon Tanwanteng: Okay. Got it. A high-level question for you, what are the biggest surprises you've seen positive and negative? What's taking the most of your time strategically on a day-to-day basis?

David Wilson: My priorities have really been focused around the safety of our people and getting to know the business, really working with our team to climb the learning curve. As you can imagine, prioritizing the right actions relative to cost as well as to cash and key priorities that we're focused on advancing because as much of what we're trying to do now is focus on what we're not going to do versus what we are going to do. Furthermore, turning to execution – period. Really focusing on making sure that we execute solidly and ultimately really beginning to turn towards what's next.

I'm also putting a lot of emphasis on our strategic plan and focusing on what the specific elements of our strategic plan will be as we finalize that work in our fiscal second quarter. Obviously, along the way, I am working on building relationships with our employees, with our customers, with our shareholders and with our Board. I'm happy to say that I've been able to make progress on all fronts. I'm pleased with the work that we're doing and feel like we're making good progress with what I put together as a 100-day plan as we're about halfway through that now.

In terms of surprises, I'd just say that I'm pleased with the leadership team. I'm pleased with the capabilities we have in the organization and the opportunities that we have as an enterprise. I think that we have a lot that we can work on, both internally that's within our control from a self-help and a performance improvement standpoint, as well as opportunities that we can pursue within the marketplace. I'm pretty excited about that, and we're very focused on the next round of strategic work as we prepare to advance Phase III in our Blueprint for Growth strategy.

In terms of negative surprises, nothing that I would speak to that's of note. I'm just disappointed that given constraints around COVID-19, I haven't been able to travel to every location and get out to see everything in the portfolio just yet. However, technology has been very supportive, and our team has been very highly engaged. As I said in my opening comments, it’s been a busy eight weeks, and I'm looking forward to the next eight.

Operator: Ladies and gentlemen, we've reached the end of the question-and-answer session. I'd like to turn the call back over to David Wilson for closing remarks. Please go ahead, sir.

David Wilson: Great. Thank you, everyone, for joining us today. In closing, I'd like to take a brief moment to recognize and thank Rick Fleming, our Chairman, who led the organization as interim CEO at the onset of the COVID-19 crisis and through most of the first quarter. I also want to acknowledge my leadership team and the entire Columbus McKinnon organization for their resilience throughout these unprecedented times, and their support towards me through my transition. I'm excited to be here at Columbus McKinnon, and I look forward to updating you on future calls regarding the progress we are making as we advance our strategy. Thank you very much.

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