

MANITOWOC CO INC  
Form 10-K  
February 13, 2019  
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2018

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from            to

Commission File Number 1-11978

The Manitowoc Company, Inc.

(Exact name of registrant as specified in its charter)

Wisconsin  
(State or other jurisdiction  
of incorporation)

11270 West Park Place

39-0448110  
(I.R.S. Employer  
Identification Number)

Edgar Filing: MANITOWOC CO INC - Form 10-K

Suite 1000  
Milwaukee, Wisconsin 53224  
(Address of principal executive offices) (Zip Code)

(414) 760-4600

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$.01 Par Value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Edgar Filing: MANITOWOC CO INC - Form 10-K

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell Company (as defined in Rule 12b-2 of the Act). Yes No

The Aggregate Market Value on June 29, 2018, of the registrant’s Common Stock held by non-affiliates of the registrant was approximately \$909 million based on the closing per share price of \$25.86 on that date.

The number of shares outstanding of the registrant’s Common Stock as of January 31, 2019, the most recent practicable date, was 35,603,164.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s Proxy Statement for the 2019 Annual Meeting of Shareholders, are incorporated by reference in Part III of this Annual Report on Form 10-K.

Table of Contents

THE MANITOWOC COMPANY, INC.

Index to Annual Report on Form 10-K

For the Year Ended December 31, 2018

	PAGE
<u>Cautionary Statements Regarding Forward-Looking Information</u>	3
PART I	
Item 1 <u>Business</u>	5
Item 1A <u>Risk Factors</u>	9
Item 1B <u>Unresolved Staff Comments</u>	18
Item 2 <u>Properties</u>	18
Item 3 <u>Legal Proceedings</u>	18
Item 4 <u>Mine Safety Disclosure</u>	18
<u>Executive Officers of the Registrant</u>	19
PART II	
Item 5 <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	21
Item 6 <u>Selected Financial Data</u>	23
Item 7 <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	25
Item 7A <u>Quantitative and Qualitative Disclosure about Market Risk</u>	45
Item 8 <u>Financial Statements and Supplementary Data</u>	46
Item 9 <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	92
Item 9A <u>Controls and Procedures</u>	92
Item 9B <u>Other Information</u>	92
PART III	
Item 10 <u>Directors, Executive Officers and Corporate Governance</u>	93
Item 11 <u>Executive Compensation</u>	93
Item 12 <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	93
Item 13 <u>Certain Relationships and Related Transactions, and Director Independence</u>	94
Item 14 <u>Principal Accounting Fees and Services</u>	94
PART IV	
Item 15 <u>Exhibits and Financial Statement Schedules</u>	95
Item 16 <u>Form 10-K Summary</u>	102



Table of Contents

Cautionary Statements Regarding Forward-Looking Information

All of the statements in this Annual Report on Form 10-K, other than historical facts, are forward-looking statements, including, without limitation, the statements made in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” As a general matter, forward-looking statements are those focused upon anticipated events or trends, expectations and beliefs relating to matters that are not historical in nature. The words “could,” “should,” “may,” “feel,” “anticipate,” “aim,” “preliminary,” “expect,” “believe,” “estimate,” “intend,” “intent,” “plan,” “project,” “forecast,” or the negative thereof or variations thereon, and similar expressions identify forward-looking statements.

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for these forward-looking statements. In order to comply with the terms of the safe harbor, The Manitowoc Company, Inc. (the “Company” or “Manitowoc”) notes that forward-looking statements are subject to known and unknown risks, uncertainties and other factors relating to the Company’s operations and business environment, all of which are difficult to predict and many of which are beyond the control of the Company. These known and unknown risks, uncertainties and other factors could cause actual results to differ materially from those matters expressed in, anticipated by or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to:

- changes in economic or industry conditions generally or in the markets served by Manitowoc;
- unanticipated changes in customer demand, including changes in global demand for high-capacity lifting equipment, changes in demand for lifting equipment in emerging economies, and changes in demand for used lifting equipment;
- unanticipated changes in revenues, margins, costs, and capital expenditures;
- the ability to increase operational efficiencies across Manitowoc’s businesses and to capitalize on those efficiencies;
- the ability to significantly improve profitability;
- the risks associated with overall economic growth or contraction;
- changes in raw material and commodity prices;
- impairment of goodwill and/or intangible assets;
- foreign currency fluctuation and its impact on reported results and hedges in place with Manitowoc;
- the ability to focus on customers, new technologies, and innovation;
- uncertainties associated with new product introductions, the successful development and market acceptance of new and innovative products that drive growth;
- actions of competitors;
  - potential delays or failures to implement specific initiatives within the Company’s restructuring programs;
- issues relating to the ability to timely and effectively execute on manufacturing strategies, including issues relating to plant closings, new plant start-ups, and/or consolidations of existing facilities and operations, and the ability to achieve the expected benefits from such actions, as well as general efficiencies and capacity utilization of the Company’s facilities;
- the ability to complete and appropriately integrate restructurings, consolidations, acquisitions, divestitures, strategic alliances, joint ventures, and other strategic alternatives;
- realization of anticipated earnings enhancements, cost savings, strategic options and other synergies, and the anticipated timing to realize those savings, synergies, and options;
- the ability to capitalize on key strategic opportunities and the ability to implement Manitowoc’s long-term initiatives;
- the ability to generate cash and manage working capital consistent with Manitowoc’s stated goals;
- geographic factors and political and economic conditions and risks;
- global expansion of customers;



Table of Contents

- changes in laws throughout the world;
- the ability to focus and capitalize on product quality and reliability;
- unexpected issues associated with the quality of materials, components and products sourced from third parties and the ability to successfully resolve those issues;
- unexpected issues associated with the availability and viability of suppliers;
- the ability to convert orders and order activity into sales and the timing of those sales;
- the ability to sell products through distributors and other third parties;
- the Company's ability to attract and retain qualified personnel;
- the ability of Manitowoc's customers to receive financing;
- failure to comply with regulatory requirements related to the products the Company sells;
  - risks associated with manufacturing or design defects;
- issues related to workforce reductions and potential subsequent rehiring;
- risks associated with data security and technological systems and protections;
- the inability to defend against potential infringement claims on intellectual property rights;
- the ability to direct resources to those areas that will deliver the highest returns;
- work stoppages, labor negotiations, labor rates, and temporary labor costs;
- risks associated with high financing leverage;
- unanticipated issues affecting the effective tax rate for the year;
- natural disasters and other weather events disrupting commerce in one or more regions of the world;
- government approval and funding of projects and the effect of government-related issues or developments;
- the replacement cycle of technologically obsolete cranes;
- unanticipated changes in the capital and financial markets;
- acts of terrorism;
- risks related to actions of activist shareholders; and
- other risks factors detailed in Manitowoc's filings with the United States Securities and Exchange Commission, including risk factors in Item 1A, "Risk Factors" of this Annual Report on Form 10-K, as such may be amended or supplemented in Manitowoc's subsequently filed Quarterly Reports on Form 10-Q.

These statements reflect the current views and assumptions of management with respect to future events. Except to the extent required by the federal securities laws, the Company does not undertake, and hereby disclaims, any duty to update these forward-looking statements, even though its situation and circumstances may change in the future. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this report. The inclusion of any statement in this report does not constitute an admission by the Company or any other person that the events or circumstances described in such statement are material.



Table of Contents

PART I

Item 1. BUSINESS

General

The Manitowoc Company, Inc. (“Manitowoc”, the “Company”, “we”, “us” and “our”) was founded in 1902 and has over a 116-year tradition of providing high-quality, customer-focused products and support services to our markets, and for the year ended December 31, 2018, we had net sales of approximately \$1.8 billion. Manitowoc is one of the world’s leading providers of engineered lifting solutions. We design, manufacture, market, sell and support one of the most comprehensive product lines of mobile telescopic cranes, tower cranes, lattice-boom crawler cranes and boom trucks. Our crane products are principally marketed under the Manitowoc, Grove, Potain and National Crane brand names. We support customers globally with financing and leasing options through Manitowoc Finance, which is a program that utilizes third-party leasing companies. We serve a wide variety of customers, including dealers, rental companies, contractors and government entities, across the petrochemical, industrial, commercial construction, power and utilities, infrastructure and residential construction end markets. Additionally, our Manitowoc Crane Care offering leverages Manitowoc’s installed base of approximately 144,000 cranes to provide aftermarket parts and services to enable our customers to manage their fleets more effectively and deliver best in class total cost of ownership. Due to the ongoing and predictable maintenance needed by cranes, as well as the high cost of crane downtime, Manitowoc Crane Care provides us with a consistent stream of recurring aftermarket revenue. We are a Wisconsin corporation, and our principal executive offices are located at 11270 West Park Place, Suite 1000, Milwaukee, Wisconsin 53224.

Unless otherwise indicated, references to Manitowoc, the Company, we and us refer to The Manitowoc Company, Inc. and its consolidated subsidiaries.

The Manitowoc Way

The Manitowoc Way is a culture of continuous improvement which encompasses the core values and growth strategies that add value for our key stakeholders - customers, shareholders and employees. Customers are the priority of The Manitowoc Way as we build strong relationships by listening to them, understanding their needs and quickly responding with creative products and services. As shareholders understand the value-driven relationship we prioritize with our customers, they continue to invest resources in order to support our growth.

Employee commitment to the goals and vision of The Manitowoc Way enables us to use those resources to create a stronger organization. The Manitowoc Way empowers employees to develop innovative products and services that meet the needs of our customers. The culture of The Manitowoc Way fosters employee engagement to quickly recognize opportunities and to capitalize on them to add value. Innovation and velocity are the core of The Manitowoc Way, driving differentiation from our competitors.

Products & Services

We design, manufacture and distribute a diversified line of crawler-mounted lattice-boom cranes, which we sell under the Manitowoc brand name. We also design and manufacture an expansive line of top-slewing and self-erecting tower cranes, which we sell under the Potain brand name. We design and manufacture mobile telescopic cranes, which we sell under the Grove brand name, and a comprehensive line of hydraulically powered telescopic boom trucks, which we sell under the National Crane brand name. We also provide crane product parts and services and crane rebuilding, remanufacturing and training services, which are delivered under the Manitowoc Crane Care brand name. In some

cases our products are manufactured for us or distributed for us under strategic alliances. Our crane products are used in a wide variety of applications throughout the world, including energy production/distribution and utility, petrochemical and industrial, infrastructure, such as road, bridge and airport construction, as well as commercial and residential construction.

We sell our entire product offering and full line of services in most regions of the world. Moreover, we report under a geographic reporting structure to better align with the location of our customers and the unique market dynamics of each geographic region. The main products we sell in each region are:

Lattice-boom crawler cranes. Under the Manitowoc brand name, we design, manufacture, market and sell lattice-boom crawler cranes. Lattice-boom crawler cranes weigh less and provide higher lifting capacities than a mobile telescopic crane of similar boom length. The lattice-boom crawler cranes are the only category of crane that can pick and move simultaneously with a full-rated load. The lattice-boom sections, together with the crane base, are transported to and erected at a project site. We offer our lattice-boom crawler crane customers various attachments that provide our cranes with greater capacity in terms of height, movement and lifting.

Table of Contents

These cranes are used to lift material and equipment in a wide variety of applications, including heavy construction, bridge and highway, infrastructure and energy-related projects. These cranes are also used by the value-added crane rental industry, which serves all the aforementioned end markets. Lattice boom crawler cranes are produced in the U.S.

**Tower cranes.** Under the Potain brand name, we design, manufacture, market and sell tower cranes primarily used in the commercial and residential construction end markets. Tower cranes offer the ability to lift and distribute material at the point of use, more quickly and accurately than other types of lifting machinery, without utilizing substantial square footage on the ground. We offer a complete line of tower crane products, including top slewing, luffing jib, topless, self-erecting and special cranes for large building projects. Top-slewing cranes are the most traditional form of tower cranes. Self-erecting cranes are bottom-slewing cranes which have a counterweight located at the bottom of the mast and are able to be erected, used and dismantled on job sites without assist cranes.

Top-slewing tower cranes have a tower and multi-sectioned horizontal jib. These cranes rotate from the top of their mast and can increase in height with the project. Top-slewing cranes are transported in separate pieces and assembled at the construction site in one to three days depending on the height. These cranes are generally sold to medium to large building and construction groups, as well as to rental companies. These cranes are produced in France, Portugal, India and China.

Topless tower cranes are a type of top-slewing crane and, unlike all others, have no cathead or jib tie-bars on the top of the mast. The cranes are utilized primarily when overhead height is constrained or in situations where several cranes are installed close together. Topless tower cranes are produced in France, Portugal, India and China.

Luffing jib tower cranes, which are a type of top-slewing crane, have an angled rather than horizontal jib. Unlike other tower cranes which have a trolley that controls the lateral movement of the load, luffing jib cranes move their load by changing the angle of the jib. The angle is modified using either a cable controlled by a luffing winch or hydraulic cylinder. The cranes are utilized primarily in urban areas where space is constrained or in situations where several cranes are installed close together. Luffing jib tower cranes are produced in France and China.

Self-erecting tower cranes are mounted on axles or transported on a trailer. The lower segment of the range unfolds in four sections, two for the mast and two for the jib. The smallest of our models unfolds in less than eight minutes; larger models erect in a few hours. Self-erecting cranes rotate from the bottom of their mast and are utilized primarily in low to medium rise construction and residential applications. Self-erecting tower cranes are produced in France and Italy.

**Mobile telescopic cranes.** Under the Grove, Shuttlelift and National Crane brand names, we design, manufacture, market and sell mobile telescopic cranes utilized in industrial, commercial, construction and maintenance applications. Mobile telescopic cranes consist of a telescopic boom mounted on a carrier with the ability to easily move in or between job sites, with some permitted on public roadways. We currently offer the following six types of mobile telescopic cranes: rough-terrain, all-terrain, truck-mounted, telescopic crawler, industrial and boom truck.

Rough-terrain cranes are designed to lift materials and equipment on rough or uneven terrain, and their versatility allows them to carry out many different lifts within the boundaries of given sites. These cranes cannot be driven on public roadways, and, accordingly, must be transported by truck to a job site. Rough-terrain cranes are produced in the U.S. and Italy.

All-terrain cranes are versatile cranes designed to perform a wide range of lifts on rough or uneven terrain. These cranes are highly maneuverable and roadable at highway speeds. All-terrain cranes are produced in Germany.

Truck-mounted cranes provide simple set-up, long reach, high capacity booms and are roadable at highway speeds. These cranes are produced in the U.S.

Telescopic crawler cranes are designed to lift materials on rugged terrain. These cranes consist of a telescopic boom superstructure mounted on a crawler crane chassis. These cranes combine excellent gradeability and lift capacity with 100 percent pick and carry capabilities. These cranes are purchased as complete units from a strategic manufacturer.

Industrial cranes are designed primarily for plant maintenance, storage yard and material handling applications. These cranes allow for lifting and carrying loads on a smooth, flat surface. We manufacture industrial cranes in the U.S. under the Grove and Shuttlelift brand names.

## Table of Contents

We offer our hydraulic boom truck products under the National Crane brand name. A boom truck is a hydraulically powered telescopic crane mounted on a conventional truck chassis. Telescopic boom trucks are used primarily for lifting material on a job site. These cranes are produced in the U.S.

Backlog, orders and customers. The year-end backlog of products includes accepted orders that have been placed on a production schedule that we expect to be shipped and billed primarily within one year. Our backlog of unfilled orders at December 31, 2018, 2017 and 2016 was \$670.6 million, \$606.6 million and \$323.8 million, respectively. Our backlog at the end of 2018 increased from the end of 2017 due primarily to higher customer demand for mobile hydraulic products in the Americas region, partially offset by slowing demand for our products in the EURAF and MEAP regions.

Orders for the year ended December 31, 2018 increased 3% to \$1,910.7 million from \$1,864.2 million for the same period in 2017. The increase was due to strengthening demand for our mobile hydraulic and towers products in the Americas region, along with increased aftermarket demand across all regions. This was partially offset by slowing demand for new cranes in the Europe and Africa (“EURAF”) and Middle East and Asia Pacific (“MEAP”) regions. Orders were favorably impacted by \$24.4 million year over year due to changes in foreign currency exchange rates.

We do not have any customers that individually comprise more than 10% of our consolidated net sales.

## Manufacturing

We operate ten manufacturing facilities (including remanufacturing facilities) that utilize a variety of processes. In general, the manufacturing process involves the fabrication and machining of raw materials, primarily steel, which are then manufactured into sub-assemblies. Sub-assemblies are then assembled with purchased components into a complete machine. In our manufacturing operations, we maintain advanced manufacturing, quality assurance and testing equipment and utilize extensive process automation. We have also invested in Product Verification Centers at our major manufacturing facilities to support new product development, testing and qualification of sub-systems and final product designs.

We train employees dedicated to leading the implementation of The Manitowoc Way, a business system that seeks to enhance customers' experiences with our products and services. Our team is comprised of members with diverse backgrounds in quality, lean principles, finance, product and process engineering. The Manitowoc Way includes lean tools to eliminate waste from processes to provide better value for customers, and it assesses customer satisfaction and implements measures to improve customer experiences. The Manitowoc Way improvement projects have contributed to manufacturing efficiency gains, materials management improvements, steady quality improvements and reduction of lead times, as well as enabled us to free up manufacturing space.

## Raw Materials and Supplies

We purchase a wide variety of raw materials to manufacture our products. Our primary raw materials are structural and rolled steel, which are purchased from various domestic and international suppliers. We also purchase engines and electrical equipment and other semi- and fully-processed materials. Our policy is to maintain alternate sources of supply for our critical materials and parts wherever possible, and by doing so, we mitigate the risk of being dependent on a single source for any particular raw material or supply.

## Patents, Trademarks, and Licenses

We utilize patent rights to protect our intellectual property and our position as a leading provider of engineered lift solutions. We hold numerous patents across the world pertaining to our products and also have pending applications for additional patents. In addition, we have various registered and unregistered trademarks, copyrights and licenses. We believe our patents, trademarks and copyrights are adequately protected in customary fashions under applicable laws. We actively enforce our patents, trademarks and copyrights and this intellectual property, in which we have invested, is collectively of material importance to our business.

#### Seasonality

Our first quarter is typically the slowest quarter of the year due to seasonal conditions in the northern hemisphere impacting customer buying behavior.

7

---

Table of Contents

Competition

We sell all of our products in highly competitive end markets. We compete in each of our end markets based on product design, quality of products and aftermarket support services, product performance, maintenance costs, energy and resource savings and other contributions to sustainability and price. Given the potential for equipment failure causing expensive operational disruption, our customers generally view quality and reliability as critical factors in their purchasing decision. We believe that we benefit from the following competitive advantages which create customer loyalty: strong brand names with competitive resale values, a reputation for quality and reliable products and aftermarket support and solution services, an established network of global distributors and customer relationships, broad product line offerings in the markets we serve and a commitment to customer-focused engineering design and product innovation. The following table sets forth our primary competitors:

Products	Primary Competitors
Tower Cranes	Comansa; Terex Comedil/Peiner; Liebherr; FM Gru; Jaso; Raimondi; Vicario; Saez; Benazzato; Cattaneo; Zoomlion; Yongmao; and Wolffkran
Mobile Telescopic Cranes	Liebherr; Link-Belt; Terex; Tadano; XCMG; Kato; Locatelli; Broderson; Sany; Manitex; Altec; Elliott; Hitachi Sumitomo; Kobelco; Sumitomo/Link-Belt; and Zoomlion
Engineering, Research and Development	

We believe our extensive engineering, research and development capabilities are key drivers of our success. We engage in research and development activities at dedicated locations. We have a staff of in-house engineers and technicians on three continents, supplemented with external engineering resources, who are responsible for improving our existing products and developing new products.

Our team of engineers focuses on developing high performance, low maintenance, innovative products intended to create significant brand loyalty among customers. Design engineers work closely with our manufacturing, marketing staff and customers, enabling us to identify changing end-user requirements, implement new technologies and effectively introduce product innovations. Closely managed relationships with dealers, distributors and end users help us identify their needs, not only for products, but for the service and support that are critical to their profitable operations. As part of our ongoing commitment to provide superior products, we intend to continue our efforts to design products that meet evolving customer demands and reduce the period from product conception to product introduction.

Employee Relations

As of December 31, 2018, we employed approximately 5,000 people. A large majority of our European employees belong to various European trade unions, we have one trade union in China, one trade union in India and no trade unions in North America. The union contract in India is expected to be renegotiated in 2019 and involves 124 employees.

Available Information

We make available, free of charge at our website site ([www.manitowoc.com](http://www.manitowoc.com)), our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, our proxy statements and any amendments to those

Edgar Filing: MANITOWOC CO INC - Form 10-K

reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (“SEC”). Although some documents available on our website are filed with the SEC, the information generally found on our website is not part of this or any other report we file with or furnish to the SEC.

The SEC also maintains electronic versions of our reports on its website at [www.sec.gov](http://www.sec.gov).



Table of Contents

Item 1A. RISK FACTORS

The Company's financial position, results of operations and cash flows are subject to various risks, many of which are not exclusively within the Company's control, which may cause actual performance to differ materially from historical or projected future performance. Investors should consider carefully information in this Annual Report on Form 10-K in light of the risk factors described below.

Sales of our products are cyclical and/or are otherwise sensitive to volatile or variable factors. A downturn or weakness in overall economic activity or fluctuations in those other factors can have a material adverse effect on us.

Historically, sales of products that we manufacture and sell have been subject to cyclical variations caused by changes in general economic conditions and other factors. In particular, demand for our products is cyclical and is impacted by the strength of the economy, generally, the availability of financing and other factors, including crude oil prices, that may have an effect on the level of construction activity on an international, national or regional basis. During periods of expansion in construction activity, we generally have benefited from increased demand for our products. Conversely, during recessionary periods, we have been adversely affected by reduced demand for our products, and challenging conditions can continue well beyond the end of such periods. Furthermore, any future economic recession may impact leveraged companies, such as Manitowoc, more than competing companies with less leverage and may have a material adverse effect on our financial condition, results of operations and cash flows.

Demand for our products also depend in part on federal, state, local and foreign governmental spending and appropriations, including infrastructure, security and defense outlays. Reductions in governmental spending can reduce demand for our products, which in turn, can negatively affect our performance. Our sales depend in part upon our customers' replacement or repair cycles. Adverse economic conditions may cause customers to forego or postpone new purchases in favor of repairing existing machinery.

If we are unable to sufficiently adjust to market conditions, among other potential adverse effects on our financial condition, results of operations and cash flows, we could fail to deliver on planned results, fall short of analyst and investor expectations, incur high fixed costs and/or fail to benefit from higher than expected customer demand resulting in loss of market share.

Our operational results are dependent on how well we can scale our manufacturing capacity and resources to the level of our customers' demand.

We sell our products in industries that require manufacturers to make highly efficient use of manufacturing capacity. Insufficient or excess capacity threatens our ability to generate competitive profit margins and may expose us to liabilities such as contractual commitments. Although from time to time we close or consolidate facilities, adapting or modifying our capacity is difficult, as modifications take substantial time to execute, are inherently disruptive and costly and, in some cases, may require regulatory approval. Additionally, delivering product during process or facility modifications requires special coordination. The cost and resources required to adapt our capacity, such as through facility acquisitions, facility closings or process moves between facilities, may negate any planned cost reductions or may result in costly delays, product quality issues or material shortages, all of which could adversely affect our operational results and our reputation with our customers.

Large or rapid increases in the cost of raw materials or components parts, substantial decreases in their availability, or our dependence on particular suppliers of raw materials and component parts could materially and adversely affect our operating results.

We use large amounts of steel, among other items, in the manufacture of our products. Occasionally, market prices of some of our key raw materials increase significantly, including as a result of tariffs or other trade barriers. If in the future we are not able to reduce product costs in other areas or pass raw material price increases on to our customers, our margins could be adversely affected. In addition, because we maintain limited raw material and component inventories, even brief unanticipated delays in delivery by suppliers - including those due to capacity constraints, labor disputes, impaired financial condition of suppliers, weather emergencies or other natural disasters - may impair our ability to satisfy our customers and could adversely affect our financial performance.

The Company purchases certain branded cranes and parts under strategic alliances from third-party suppliers which are then sold into our markets. If we are not able to effectively manage pricing from these suppliers, our financial performance could be adversely affected. Likewise, if our suppliers terminate these agreements and we are unable to procure alternate products at substantially similar competitive pricing, our financial performance could be adversely affected.

Table of Contents

Our goodwill and other intangible assets represent a material amount of our total assets; as a result, impairments have had, and future impairment may have, a material adverse effect on our results of operations.

At December 31, 2018, goodwill and other intangible assets totaled \$350.9 million, or about 23% of our total assets. We assess annually whether there has been impairment in the value of our goodwill or indefinite-lived intangible assets. Based on that assessment in 2018, we recorded a non-cash goodwill impairment charge of \$82.2 million in our EURAF reporting unit. If future operating performance were to fall below current projections or if there are material changes to management's assumptions, we could be required to recognize additional non-cash charges to operating earnings for goodwill and/or other intangible asset impairment. Goodwill or intangible asset impairments have had, and any future impairments may have, a material adverse effect on our results of operations.

Our results of operations are subject to exchange rate and other currency risks. A significant movement in exchange rates could adversely impact our results of operations and cash flows.

Some of our operations are and will continue to be conducted by subsidiaries in foreign countries. The results of the operations and the financial position of these subsidiaries will be reported in the relevant foreign currencies and then translated into U.S. dollars at the applicable exchange rates for inclusion in our consolidated financial statements, which are stated in U.S. dollars. The exchange rates between foreign currencies and the U.S. dollar have fluctuated significantly in recent years and may continue to fluctuate in the future. Such fluctuations may have a material effect on our results of operations and financial position and may significantly affect the comparability of our results between financial periods.

We also incur currency transaction risk whenever one of our operating subsidiaries enters into a transaction using a different currency than its functional currency. We attempt to reduce currency transaction risk whenever one of our operating subsidiaries enters into a material transaction using a different currency than its functional currency by:

- matching cash receipts and payments in the same currency;
- direct foreign currency borrowing; and
- entering into foreign exchange contracts for hedging purposes.

However, we may not be able to hedge this risk completely or at an acceptable cost, which may adversely affect our results of operations, financial condition and cash flows in future periods.

If we do not develop new and innovative products or if customers in our markets do not accept them, our results could be negatively affected.

Our products must be kept current to meet our customers' needs. To remain competitive, we therefore must develop new and innovative products on an on-going basis. If we fail to make innovations or the market does not accept our new products, our sales and results would likely suffer. We invest significantly in the research and development of new products. These expenditures do not always result in products that will be accepted by the market. To the extent they do not, whether as a function of the product or the business cycle, we will have increased expenses without significant sales to benefit us. Failure to develop successful new products may also cause potential customers to purchase competitors' products, rather than products manufactured by us.

Because we participate in end markets that are highly competitive, our net sales and profits could decline as we respond, or fail to effectively respond, to competition.

We sell most of our products in highly competitive end markets. We compete in each of those end markets based on product design, quality of products, quality and responsiveness of product support services, product performance, maintenance costs and price. Some of our competitors may have greater financial, marketing, manufacturing and distribution resources than we do. These competitors may, among others:

- respond more quickly to new or emerging technologies;
- have greater name recognition, critical mass or geographic market presence;
- be better able to take advantage of acquisition opportunities;
- adapt more quickly to changes in customer requirements;

10

---

Table of Contents

• devote greater resources to the development, promotion and sale of their products;  
• be better positioned to compete on price for their products, due to any combination of low-cost labor, raw materials, components, facilities or other operating items, or willingness to make sales at lower margins than us;  
• consolidate with other competitors in the industry which may create increased pricing and competitive pressures on our business; and  
• be better able to utilize excess capacity which may reduce the cost of their products or services.

We cannot be certain that our products and services will continue to compete successfully with those of our competitors or that we will be able to retain our customer base or improve or maintain our profit margins on sales to our customers, any of which could materially and adversely affect our financial condition, results of operations and cash flows.

Our ongoing and expected restructuring plans and other cost savings initiatives may not be as effective as we anticipate and we may fail to realize the cost savings and increased efficiencies that we expect from these actions. Our operating results could be negatively affected by our inability to effectively implement such restructuring plans and other cost saving initiatives.

We continually seek ways to simplify or improve processes, eliminate excess capacity and reduce costs in all areas of our operations, which from time to time includes restructuring activities. We have implemented significant restructuring activities across our global manufacturing, sales and distribution footprint, which includes workforce reductions and facility consolidations.

Our restructuring actions may not be as effective as we anticipate, and we may fail to realize the cost savings we expect from these actions. Actual charges, costs and adjustments due to restructuring activities may vary materially from our estimates. Our ability to realize anticipated cost savings, synergies and revenue enhancements may be affected by a number of factors, including our ability to effectively eliminate duplicative back office overhead and overlapping sales personnel, rationalize manufacturing capacity, synchronize information technology systems, consolidate warehousing and distribution facilities, and shift production to more economical facilities. Our restructuring plans will require significant cash and non-cash integration and implementation costs or charges in order to achieve those cost savings, which could offset any such savings and other benefits.

Although we have considered the impact of local regulations, negotiations with employee representatives and the related costs associated with our restructuring activities, factors beyond the control of management may affect the timing of these projects and therefore affect when savings will be achieved under the plans. Further, our operating results could be negatively affected if we are not successful in completing the restructuring projects in the time frames contemplated or if additional issues arise during the projects that add costs to or disrupt our operations.

We have significant manufacturing and sales of our products outside of the United States and such international operations may be subject to a number of risks specific to these countries.

For the years ended December 31, 2018, 2017, and 2016, approximately 57%, 61% and 60%, respectively, of our net sales were attributable to products sold outside of the United States. Expanding the Company's international sales is part of our growth strategy. Our international operations across many different jurisdictions may be subject to a number of risks specific to these countries, including:

less flexible employee relationships which can be difficult and expensive to terminate;  
labor unrest;  
political and economic instability (including war and acts of terrorism);  
inadequate infrastructure for our operations (i.e., lack of adequate power, water, transportation and raw materials);  
health concerns and related government actions;  
risk of governmental expropriation of our property;  
less favorable, or relatively undefined, intellectual property laws;  
unexpected changes in regulatory requirements and laws;  
longer customer payment cycles and difficulty in collecting trade accounts receivable;  
export duties, tariffs, import controls and trade barriers (including quotas);

11

---

Table of Contents

adverse trade policies or adverse changes to any of the policies of either the United States or any of the foreign jurisdictions in which we operate;

adverse changes in tax rates or regulations;

legal or political constraints on our ability to maintain or increase prices;

burdens of complying with a wide variety of labor practices and foreign laws, including those relating to export and import duties, environmental policies and privacy issues;

inability to utilize net operating losses incurred by our foreign operations against future income in the same jurisdiction; and

economies that are emerging or developing, that may be subject to greater currency volatility, negative growth, high inflation, limited availability of foreign exchange and other risks.

These factors may harm our results of operations, and any measures that we may implement to reduce the effect of volatile currencies and other risks of our international operations may not be effective. In our experience, entry into new international markets requires considerable management time as well as start-up expenses for market development, hiring and establishing office facilities before any significant revenue is generated. As a result, initial operations in a new market may operate at low margins or may be unprofitable.

Our international sales and operations are subject to applicable laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect our operations.

We must comply with all applicable international trade, customs, export controls and economic sanctions laws and regulations of the United States and other countries. We are also subject to the Foreign Corrupt Practices Act and other anti-bribery laws that generally bar bribes or gifts to foreign governments or officials. The existing presidential administration in the United States has taken, and may take additional, actions that may inhibit international trade by U.S.-based companies. Changes in trade sanctions laws may restrict our business practices, including cessation of business activities in sanctioned countries or with sanctioned parties, and may result in modifications to compliance programs. Violation of these laws or regulations could result in sanctions or fines and could have a material adverse effect on our financial condition, results of operations and cash flows.

If we do not meet customers' product quality, reliability standards and expectations, we may experience increased or unexpected product warranty claims and other adverse consequences to our business.

Product quality and reliability are significant factors influencing customers' decisions to purchase our products. Inability to maintain the high quality of our products relative to the perceived or actual quality of similar products offered by competitors could result in the loss of market share, loss of revenue, reduced profitability, an increase in warranty costs, government investigations and/or damage to our reputation.

Product quality and reliability are determined in part by factors that are not entirely within our control. We depend on our suppliers for parts and components that meet our standards. If our suppliers fail to meet those standards, we may not be able to deliver the quality of products that our customers expect, which may impair our reputation, resulting in lower revenue and higher warranty costs.

We provide our customers a warranty covering workmanship, and in some cases materials, on products we manufacture. Our warranty generally provides that products will be free from defects for periods ranging from 12 months to 60 months. If a product fails to comply with the warranty, we may be obligated, at our expense, to correct any defect by repairing or replacing the defective product. Although we maintain warranty reserves in an amount based primarily on the number of units shipped and on historical and anticipated warranty claims, there can be no assurance that future warranty claims will follow historical patterns or that we can accurately anticipate the level of

future warranty claims. An increase in the rate of warranty claims or the occurrence of unexpected warranty claims, for which we are not insured or where we cannot recover from our vendors to the extent their materials or workmanship were defective, could materially and adversely affect our financial condition, results of operations and cash flows.



Table of Contents

We may incur additional expenses and delays due to technical problems or other interruptions at our manufacturing facilities.

Disruptions in operations due to technical problems or other interruptions such as floods or fire would adversely affect the manufacturing capacity of our facilities. Such interruptions could cause delays in production and cause us to incur additional expenses such as charges for expedited deliveries for products that are delayed. Additionally, our customers may have the ability to cancel purchase orders in the event of any delays in production and may decrease future orders if delays are persistent. Additionally, to the extent that such disruptions do not result from damage to our physical property, these may not be covered by our business interruption insurance. Any such disruptions may adversely affect our business, operations, and financial results.

We face risks related to sales through distributors and other third parties.

We sell a portion of our products through third parties such as distributors, agents and channel partners (collectively referred to as distributors). Using third parties for distribution exposes us to many risks, including competitive pressure, concentration risk, credit risk, and compliance risks. Distributors may sell products that compete with our products, and we may need to provide financial and other incentives to focus distributors on the sale of our products. We may rely on one or more key distributors for a product, and the loss of these distributors could negatively impact our sales. Distributors may face financial difficulties, including bankruptcy, which could harm our collection of accounts receivable and financial results. Violations of the Foreign Corrupt Practices Act or similar laws by distributors or other third-party intermediaries could have a material impact on our business. Failing to manage risks related to our use of distributors may reduce sales, increase expenses, and weaken our competitive position.

We depend on our key executive officers, managers and skilled personnel and may have difficulty retaining and recruiting qualified employees.

Our success depends to a large extent upon the continued services of our executive officers, senior management personnel, managers and other skilled personnel and our ability to recruit and retain skilled personnel to maintain and expand our operations. We could be affected by the loss of any of our executive officers who are responsible for formulating and implementing our business plan and strategy. In addition, we need to recruit and retain additional management personnel and other skilled employees. However, competition is high for skilled technical personnel among companies that rely on engineering and technology, and the loss of qualified employees or an inability to attract, retain and motivate additional skilled employees required for the operation and expansion of our business could hinder our ability to conduct design, engineering and manufacturing activities successfully and develop marketable products. We may not be able to attract the skilled personnel we require or retain those whom we have trained at our own cost. If we are not able to do so, our business and our ability to continue to grow could be negatively affected and we could face additional competition from those employees who leave and work for our competitors.

Some of our customers may not be able to obtain financing with third parties to purchase our products, and we may incur expenses associated with our assistance to customers in securing third-party financing.

A portion of our sales are financed by third-party finance companies on behalf of our customers. The availability of financing from third parties is affected by general economic conditions, the creditworthiness of our customers and the estimated residual value of our equipment. In certain transactions, we provide residual value guarantees and buyback

commitments to our customers or to third-party financial institutions. Deterioration in the credit quality of our customers or the overall health of the finance industry could negatively impact our customers' ability to obtain the resources needed to make purchases of our equipment or their ability to obtain third-party financing. In addition, if the actual value of the equipment for which we have provided a residual value guaranty declines below the amount of our guaranty, we may incur additional costs, which may negatively impact our financial condition, results of operations and cash flows.

If our manufacturing processes and products do not comply with applicable statutory and regulatory requirements, or if we manufacture products containing design or manufacturing defects, demand for our products may decline and we may be subject to product liability claims.

Our designs, manufacturing processes and facilities need to comply with applicable statutory and regulatory requirements. We may also have the responsibility to ensure that products we design satisfy safety and regulatory standards including those applicable to our customers and to obtain any necessary certifications. As a result, products that we manufacture may at times

Table of Contents

contain manufacturing or design defects, and our manufacturing processes may be subject to errors or not be in compliance with applicable statutory and regulatory requirements or demands of our customers. Potential defects in the products we manufacture or design, whether caused by a design, manufacturing or component failure or error, or deficiencies in our manufacturing processes, may result in delayed shipments to customers, replacement costs or reduced or canceled customer orders. If these defects or deficiencies are significant, our business reputation may also be damaged. The failure of the products that we manufacture or our manufacturing processes and facilities to comply with applicable statutory and regulatory requirements may subject us to legal fines or penalties and, in some cases, require us to shut down or incur considerable expense to correct a manufacturing process or facility.

Any manufacturing or design defects may also result in product liability claims. Furthermore, customers use some of our products in potentially hazardous applications that can cause injury or loss of life and damage to property, equipment or the environment. We may be named as a defendant in product liability or other lawsuits asserting potentially large claims if an accident occurs at a location where our equipment and services have been or are being used. Certain of our businesses also have experienced claims relating to past alleged asbestos exposure. We have not to date incurred material costs related to these asbestos claims. We vigorously defend ourselves against current claims and intend to do so against future claims. We also maintain certain insurance policies which may limit our financial exposures. Any significant liabilities which are not covered by insurance could have an adverse effect on our financial condition, results of operation and cash flows. Likewise, a substantial increase in the number of claims that are made against us or the amounts of any judgments or settlements could materially and adversely affect our reputation and our financial condition, results of operations and cash flows.

We may not be able to maintain our engineering, technological and manufacturing expertise.

The markets for our products are characterized by changing technology and evolving process development. The continued success of our business will depend upon our ability to:

- hire, retain and expand our pool of qualified engineering and technical personnel;
- maintain technological leadership in our industry;
- successfully anticipate or respond to changes in manufacturing processes in a cost-effective and timely manner; and
- successfully anticipate or respond to changes in cost to serve in a cost-effective and timely manner.

We cannot be certain that we will develop the capabilities required by our customers in the future. The emergence of new technologies, industry standards or customer requirements may render our equipment, inventory or processes obsolete or uncompetitive. We may have to acquire new technologies and equipment to remain competitive. The acquisition and implementation of new technologies and equipment may require us to incur significant expense and capital investment, which could reduce our margins and affect our operating results. When we establish new facilities, we may not be able to maintain or develop our engineering, technological and manufacturing expertise due to a lack of trained personnel, effective training of new staff or technical difficulties with machinery. Failure to anticipate and adapt to customers' changing technological needs and requirements or to hire and retain a sufficient number of engineers and maintain engineering, technological and manufacturing expertise may have a material adverse effect on our business.

Any disruption in our information systems could disrupt our operations and would be adverse to our business and financial operations.

We depend on various information systems to support our customers' requirements and to successfully manage our business, including managing orders, suppliers, accounting controls and payroll. Any inability to successfully manage the procurement, development, implementation or execution of our information systems and back-up systems, including matters related to system security, reliability, performance and access, as well as any inability of these systems to fulfill their intended purpose within our business, could have an adverse effect on our business and financial performance. Such disruptions may not be covered by our business interruption insurance.

An inability to successfully manage information systems, or to adequately maintain these systems and their security, as well as to protect data and other confidential information, could adversely affect our business and reputation.

In the ordinary course of business, we collect and store sensitive data and information, including our proprietary and regulated business information and that of our customers, suppliers and business partners, as well as personally identifiable information about our employees. We depend on our information systems to successfully manage our business. We have taken steps to maintain adequate data security by implementing security technologies, internal controls, and network and data center resiliency and recovery processes. However, any inability to successfully manage these systems, including matters related to

Table of Contents

system and data security, privacy, reliability, compliance, performance and access, as well as any inability of these systems to fulfill their intended purpose within our business, could have an adverse effect on our business.

Despite our efforts, our information systems, like those of other companies, are susceptible to damage or interruption due to natural disasters, power loss, telecommunications failures, viruses, breaches of security, system upgrades or new system implementations. Furthermore, our security measures may not detect or prevent all security threats, whether from intentional or inadvertent breaches by our employees or attacks designed to gain unauthorized access to our systems, networks and data, such as denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions. Any operational failure or breach of security from increasingly sophisticated cyber threats could lead to the loss or disclosure of both our and our customers' financial, product and other confidential information, result in regulatory actions and legal proceedings, and/or have an adverse effect on our business and reputation.

If we fail to protect our intellectual property rights or maintain our rights to use licensed intellectual property, our business could be adversely affected.

Our patents, trademarks and licenses are important in the operation of our business. Although we intend to protect our intellectual property rights vigorously, we cannot be certain that we will be successful in doing so. Third parties may assert or prosecute infringement claims against us in connection with the services and products that we offer, and we may or may not be able to successfully defend these claims. Litigation, either to enforce our intellectual property rights or to defend against claimed infringement of the rights of others, could result in substantial costs and in a diversion of our resources. In addition, if a third party would prevail in an infringement claim against us, then we would likely need to obtain a license from the third party on commercial terms, which would likely increase our costs. Our failure to maintain or obtain necessary licenses or an adverse outcome in any litigation relating to patent infringement or other intellectual property matters could have a material adverse effect on our financial condition, results of operations and cash flows.

Increasing costs of doing business in many countries in which we operate may adversely affect our business and financial results.

Increasing costs such as labor and overhead costs in the countries in which we operate may erode our profit margins and compromise our price competitiveness. Historically, the low cost of labor in certain of the countries in which we operate has been a competitive advantage but labor costs in these countries, such as China and India, have been increasing. Our profitability also depends on our ability to manage and contain our other operating expenses such as the cost of utilities, factory supplies, factory space costs, equipment rental, repairs and maintenance and freight and packaging expenses. In the event we are unable to manage any increase in our labor and other operating expenses in an environment where revenue does not increase proportionately, our financial results would be adversely affected.

Our operations and profitability could suffer if we experience problems with labor relations.

As of December 31, 2018, we employed approximately 5,000 people. A large majority of our European employees belong to various European trade unions, we have one trade union in China, one trade union in India, and no trade unions in North America. The union contract in India is expected to be renegotiated in 2019 and involves 124

employees.

Any significant labor relations issues could have an adverse effect our operations, reputation, results of operations and financial condition.

Our leverage may impair our operations and financial condition.

As of December 31, 2018, our total consolidated debt was \$273.1 million as compared to consolidated debt of \$274.9 million as of December 31, 2017. On March 3, 2016, the Company entered into a \$225.0 million Asset Based Revolving Credit Facility (as amended, the “ABL Revolving Credit Facility”) by and among the Company and certain of its domestic and German subsidiaries, as borrowers, the lender party thereto, Wells Fargo Bank, N.A. as administrative agent, and Wells Fargo Bank N.A., JP Morgan Chase Bank, N.A. and Goldman Sachs Bank USA as joint lead arrangers. The ABL Revolving Credit Facility includes a \$75.0 million Letter of Credit Facility, \$10.0 million of which is available to the German borrower, with a maturity date of March 3, 2021.

15

---

Table of Contents

The amount of debt we maintain could have consequences, including increasing our vulnerability to general adverse economic and industry conditions; requiring a substantial portion of our cash flows from operations be used for the payment of interest rather than to fund working capital, capital expenditures, acquisitions and general corporate requirements; limiting our ability to obtain additional financing; and limiting our flexibility in planning for, or reacting to, changes in our business and the end markets in which we operate.

The agreements governing our debt include covenants that restrict, among other matters, our ability to incur additional debt, pay dividends on or repurchase our equity, make certain investments, and consolidate, merge or transfer all or substantially all of our assets. Certain of our debt facilities require or will require us to maintain specified financial ratios and satisfy certain financial condition tests. Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. Adhering to these covenants may also require that we take disadvantageous actions, including reducing spending on marketing, advertising and new product innovation, reducing future financing for working capital, capital expenditures and general corporate purposes, selling assets or dedicating an unsustainable level of cash flow from operations to the payment of principal and interest on our indebtedness. Our leverage could also put us at a disadvantage compared to any competitors that are less leveraged. We cannot be certain that we will meet any future financial tests or that the lenders would waive any such failure to meet those tests. See additional discussion in Note 11, "Debt" to our Consolidated Financial Statements.

If we default under our debt agreements, our lenders could elect, among other potential remedies, to declare all amounts outstanding under our debt agreements to be immediately due and payable and could proceed against any collateral securing the debt.

Exposure to additional tax liabilities may have a negative impact on our operating results.

We regularly undergo tax audits in various jurisdictions in which we operate. Although we believe that our tax estimates are reasonable and that we prepare our tax filings in accordance with all applicable tax laws, the final determination with respect to any tax audits, and any related contests thereto, could be materially different from our estimates or from our historical income tax provisions and accruals. The results of an audit or contests thereto could have a material adverse effect on operating results and/or cash flows in the periods for which that determination is made. In addition, future period earnings may be adversely impacted by litigation costs, settlements, penalties and/or interest assessments.

Environmental liabilities that may arise in the future could be material to us.

Our operations, facilities and properties are subject to extensive and evolving laws and regulations pertaining to air emissions, wastewater discharges, the handling and disposal of solid and hazardous materials and wastes, the remediation of contamination, and otherwise relating to health, safety and the protection of the environment. As a result, we are involved from time to time in administrative or legal proceedings relating to environmental and health and safety matters and have in the past and will continue to incur capital costs and other expenditures relating to such matters.

We cannot be certain that identification of presently unidentified environmental conditions, more vigorous enforcement by regulatory authorities or other unanticipated events will not arise in the future and give rise to additional environmental liabilities, compliance costs and/or penalties that could be material. Further, environmental laws and regulations are constantly evolving, and it is impossible to predict accurately the effect they may have upon our financial condition, results of operations or cash flows.

In addition, increasing laws and regulations dealing with environmental aspects of the products we manufacture can result in significant expenditures in designing and manufacturing new products that satisfy such new laws and regulations. In particular, climate change is receiving increasing attention worldwide. Many scientists, legislators and others attribute climate change to increased levels of greenhouse gas emissions. While additional regulation of emissions in the future appears likely, how such new regulations would ultimately affect our business, operations or financial results is unknown at this time.

Our inability to recover from natural or man-made disasters could adversely affect our business.

Our business and financial results may be affected by certain events that we cannot anticipate or that are beyond our control, such as natural or manmade disasters, national emergencies, significant labor strikes, work stoppages, political unrest, war or terrorist activities that could curtail production at our facilities and cause delayed deliveries and canceled orders. In addition, we purchase components and raw materials and information technology and other services from numerous suppliers, and, even if our facilities were not directly affected by such events, we could be affected by interruptions at such suppliers. Such suppliers may be less likely than our own facilities to be able to quickly recover from such events and may be subject to additional risks



Table of Contents

such as financial problems that limit their ability to conduct their operations. We cannot assure you that we will have insurance to adequately compensate us for any of these events.

Compliance or the failure to comply with regulations and governmental policies could cause us to incur significant expense.

We are subject to a variety of local and foreign laws and regulations including those relating to labor and health and safety concerns and import/export duties and customs. Such laws may require us to pay mandated compensation in the event of workplace accidents and penalties in the event of incorrect payments of duties or customs. Additionally, we may need to obtain and maintain licenses and permits to conduct business in various jurisdictions. If we or the businesses or companies we acquire have failed or fail in the future to comply with such laws and regulations, then we could incur liabilities and fines and our operations could be suspended. Such laws and regulations could also restrict our ability to modify or expand our facilities, could require us to acquire costly equipment, or could impose other significant expenditures that are unable to be passed on to our customers.

We continue the transition to various regulations, particularly in Europe, including Tier 5 power systems and crash test regulations for Mobile products. While plans are in place to comply with the phase-in of these regulations, there is a significant amount of engineering that the Company must complete to comply with these standards. A failure to implement these new standards may result in the loss of market share or fines from regulatory agencies which could have a material adverse effect on our business or results of operations.

We face risks associated with our pension and other postretirement benefit obligations.

We have both funded and unfunded pension and other postretirement benefit plans worldwide. As of December 31, 2018, our projected benefit obligations under our pension and other postretirement benefit plans exceeded the fair value of plan assets by an aggregate of approximately \$108.1 million (“unfunded status”), compared to \$119.4 million at December 31, 2017. Estimates for the amount and timing of the future funding obligations of these benefit plans are based on various assumptions. These assumptions include discount rates, rates of compensation increases, expected long-term rates of return on plan assets and expected healthcare cost trend rates. If our assumptions prove incorrect, our funding obligations may increase, which may have a material adverse effect on our financial results.

We have invested the plan assets of our funded benefit plans in various equity and debt securities. A deterioration in the value of plan assets could cause the unfunded status of these benefit plans to increase, thereby increasing our obligation to make additional contributions to these plans. An obligation to make contributions to our benefit plans could reduce the cash available for working capital and other corporate uses, and may have an adverse impact on our operations, financial condition and liquidity.

Our business and/or reputation could be negatively affected as a result of actions of activist shareholders, and such activism could impact the trading value of our securities.

Certain of our shareholders have publicly or privately expressed views with respect to the operation of our business, our business strategy, corporate governance considerations or other matters that may not be fully aligned with our own. Responding to actions by activist shareholders can be costly and time-consuming, disrupt our operations and divert the attention of management and our employees. Perceived uncertainties as to our future direction may result in the loss of potential business opportunities, damage to our reputation and may make it more difficult to attract and retain qualified directors, personnel and business partners. These actions could also cause our stock price to experience periods of volatility.

Activist shareholders have made, and may in the future make, strategic proposals, suggestions or requests for changes concerning the operation of our business, our business strategy, corporate governance considerations or other matters. We cannot predict, and no assurances can be given, as to the outcome or timing of any consequences arising from these actions, and any such consequences may impact the value of our securities.

Table of Contents

## Item 1B. UNRESOLVED STAFF COMMENTS

None.

## Item 2. PROPERTIES

Manitowoc maintains leased and owned manufacturing, warehouse, storage, field testing and office facilities throughout the world. The Company's corporate office is located in Milwaukee, Wisconsin. The Company believes that its facilities currently in use are suitable and have adequate capacity to meet its present and foreseeable future demand. See Note 22, "Leases," to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for additional information regarding leases. Manitowoc management continually monitors the Company's capacity needs and makes adjustments as dictated by market and other conditions.

The following table provides information about principal facilities owned or leased by the Company (exceeding 50,000 square feet) as of December 31, 2018.

Facility Location	Type of Facility	Approximate	
		Square Footage	Owned/Leased
<b>Americas</b>			
Shady Grove, Pennsylvania	Manufacturing/Office	1,354,862	Owned
Manitowoc, Wisconsin **	Manufacturing	538,000	Owned
Port Washington, Wisconsin	Manufacturing	81,029	Owned
Passo Fundo, Brazil **	Manufacturing/Office	300,000	Owned
<b>EURAF</b>			
Wilhelmshaven, Germany	Manufacturing/Office and Storage	410,000	Owned/Leased
Fanzeres, Portugal	Manufacturing/Office	197,000	Owned
Baltar, Portugal	Manufacturing/Office	135,000	Owned
Niella Tanaro, Italy	Manufacturing/Office/Field Testing	232,000	Owned
Langenfeld, Germany	Office/Storage/Field Testing	80,300	Leased
Moulins, France	Manufacturing/Office	385,000	Owned
Charlieu, France	Manufacturing/Office/Field Testing	404,000	Owned
Dardilly, France	Office	80,000	Leased
Dry, France	Office/Storage/Workshop	93,000	Leased
Buckingham, United Kingdom	Office/Storage	78,000	Leased
Saint Pierre de Chandieu, France	Warehouse/Office	153,000	Leased
<b>MEAP</b>			
Zhangjiagang, China	Manufacturing	800,000	Owned
Pune, India	Manufacturing/Office	195,634	Leased
Sydney, Australia *	Office/Storage/Workshop	78,943	Leased

\*There are multiple separate facilities within this location.

\*\*This facility is inactive as of December 31, 2018.

Item 3. LEGAL PROCEEDINGS

From time to time, the Company is subject to litigation incidental to its business, as well as other litigation of a non-material nature in the ordinary course of business. See Note 18, "Commitments and Contingencies," to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for further information.

Item 4. MINE SAFETY DISCLOSURE

Not Applicable.

18

---

Table of Contents

## EXECUTIVE OFFICERS OF THE REGISTRANT

Each of the following executive officers of the Company has been elected by the Board of Directors. The information presented below is as of February 13, 2019.

Name	Age	Position With The Registrant	Principal Since
Barry L. Pennypacker	58	President and Chief Executive Officer	2016
David J. Antoniuk	61	Senior Vice President and Chief Financial Officer	2016
Aaron H. Ravenscroft	40	Executive Vice President of Cranes	2016
Thomas L. Doerr, Jr.	43	Senior Vice President, General Counsel and Secretary	2017
Terrance L. Collins	54	Senior Vice President of Human Resources and Administration	2018
Peter A. Ruck	47	Senior Vice President, Business Development	2018

The following paragraphs provide further information as to our executive officers' duties and their employment history:

Barry L. Pennypacker was appointed to the position of President and Chief Executive Officer of the Company's cranes business in December 2015 and became the Company's President and Chief Executive Officer in March 2016. Mr. Pennypacker served, since 2013, as founder, President and Chief Executive Officer of Quantum Lean LLC, a privately held manufacturer and supplier of precision components. He previously served as president and chief executive officer, as well as a director, of Gardner Denver, Inc., a manufacturer and marketer of engineered industrial machinery and related parts and services (2008-2012). Prior to joining Gardner Denver, Inc., Mr. Pennypacker served in positions with increasing responsibility at Westinghouse Air Brake Technologies Corporation, a worldwide provider of technology-based equipment and services for the rail industry (1999-2008), with his last position being vice president-group executive. He previously served as director, Worldwide Operations, Stanley Fastening Systems, an operating unit of The Stanley Works, a worldwide producer of tools and security products, and held a number of senior management positions with increasing responsibility with Danaher Corporation, a manufacturer and marketer of professional, medical, industrial and commercial products and services.

David J. Antoniuk has served as Senior Vice President and Chief Financial Officer since May 2016, responsible for directing teams in accounting, financial reporting, investor relations, global tax, information services and treasury. Prior to joining Manitowoc, Mr. Antoniuk served as Vice President and Chief Financial Officer at Colorcon, Inc. (2015-2016), a leader in the development, supply and technical support of formulated coatings and functional excipients for the pharmaceutical and dietary/food/nutritional supplement industries, and Vice President and Corporate Controller at Gardner Denver, Inc. (2005-2014). Prior to Gardner Denver, Inc., Mr. Antoniuk served in positions of increasing responsibility at Davis-Standard Corp., Pirelli Cables, Johnson & Johnson and KPMG.

Aaron H. Ravenscroft joined the Company as the Executive Vice President of Mobile Cranes in March 2016. In September 2017, Mr. Ravenscroft was promoted to Executive Vice President of Cranes. In this position Mr. Ravenscroft focuses on safety, quality, delivery and cost of the entire business. Prior to joining Manitowoc, Mr. Ravenscroft served as Regional Managing Director of the North American Minerals business for the Weir Group (2013-2016), an engineering company, President of Process & Flow Control Group of Robbins & Myers (2011-2013),

a manufacturer of engineered equipment, and Regional Vice President of Industrial Products Group for Gardner Denver, Inc. (2008-2011). Prior to that, he held a series of positions with increasing responsibility at Westinghouse Air Brake Technologies and Janney Montgomery Scott.

Table of Contents

Thomas L. Doerr, Jr. has served as Senior Vice President, General Counsel and Secretary since November 2017. Prior to Mr. Doerr's current position, he served as Vice President, General Counsel and Secretary of Jason Industries, Inc., a manufacturer in the finishing, components, seating, and automotive acoustics markets, from November 2015 to November 2017. Mr. Doerr originally joined Manitowoc in 2006 as legal counsel; in 2008 he expatriated to London, England, and in 2009 to Lyon, France where he served as Assistant General Counsel - International and was responsible for all legal matters for both Manitowoc's crane segment and Manitowoc's then foodservice segment in Europe, Middle East, Africa and Asia Pacific. After spending four years abroad, Mr. Doerr returned to the United States and assumed global legal responsibility for Manitowoc's crane segment until November 2015. Prior to first joining Manitowoc, Mr. Doerr was most recently with the law firm von Briesen & Roper, s.c. Mr. Doerr is a graduate of Marquette University Law School and the University of St. Thomas.

Terrance Collins has served as Senior Vice President of Human Resources since April 2018, responsible for the strategic development and execution of the Company's human resources function globally including; talent acquisition, talent development, inclusion and diversity, employee engagement, compensation and benefits programs, employee and labor relations, HR information systems and HR administration and compliance. Prior to joining Manitowoc, Mr. Collins served as Chief Administrative Officer at FDH Velocitel (2014-2018), Senior Vice President at Zebra Technologies (2013-2014) and Vice President, Human Resources at IDEX Corporation (2006-2013). Prior to IDEX, Mr. Collins served in senior leadership positions at AmSan LLC and U.S. Foodservice, Inc.

Peter Ruck has served as the Senior Vice President of Business Development since April 2018, chartering and leading Manitowoc's organic and inorganic growth initiatives across the enterprise. Prior to joining Manitowoc, Mr. Ruck served as Corporate Vice President of Strategy and Acquisitions for IDEX Corporation, where he held a series of progressively responsible positions since 2010. Prior to IDEX, Mr. Ruck spent seven years with Danaher Corporation in various management positions. Mr. Ruck started his career with Motorola.

Table of Contents

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the New York Stock Exchange ("NYSE") under the symbol MTW. The number of shareholders of record of common stock as of December 31, 2018 was 628.

The amount and timing of any dividends are determined by the Board of Directors at its regular meetings each year, subject to limitations within the indenture governing the Company's senior secured second lien note due 2021 (the "2021 Notes") and the Company's ABL Revolving Credit Facility described below. In the years ended December 31, 2018 and 2017, no cash dividends were declared or paid.

Our ABL Revolving Credit Facility and indenture governing our 2021 Notes limit or restrict the amount of certain payments the Company can make; including the purchase or retirement of Company stock, prepayment of debt principal and distribution of dividends to holders of Company stock. These so-called "Restricted Payments" are currently constrained by a provision requiring a minimal fixed charge coverage ratio after giving effect to the Restricted Payment. Additionally, the Company must consider all previous Restricted Payments when calculating the capacity for future Restricted Payments. See additional disclosure in Note 11, "Debt" to our Consolidated Financial Statements.

See Part III, Item 12 of the Annual Report on Form 10-K for certain information regarding the Company's equity compensation plans.



Table of Contents

## Total Return to Shareholders

(Includes reinvestment of dividends)

	Annual Return Percentages				
	Years Ending December 31,				
	2014	2015	2016	2017	2018
The Manitowoc Company, Inc.	(4.86)%	(30.21)%	69.23%	64.46%	(62.46)%
S&P 500 Index	13.69%	1.38%	11.96%	21.83%	(4.38)%
S&P 600 Industrial Machinery	1.36%	(17.22)%	36.69%	22.17%	(16.96)%

	Indexed Returns					
	Years Ending December 31,					
	2013	2014	2015	2016	2017	2018
The Manitowoc Company, Inc.	100.00	95.14	66.40	112.37	184.81	69.38
S&P 500 Index	100.00	113.69	115.26	129.05	157.22	150.33
S&P 600 Industrial Machinery	100.00	101.36	83.91	114.69	140.12	116.36

Table of Contents

## Item 6. SELECTED FINANCIAL DATA

The following selected historical financial data has been derived from the Consolidated Financial Statements of Manitowoc. The data should be read in conjunction with the Company's Consolidated Financial Statements and related notes and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Results of the former foodservice business and the Manitowoc Dong Yue business in the years presented have been classified as discontinued operations to exclude those results from continuing operations. In addition, the income (loss) from discontinued operations includes the impact of adjustments to certain retained liabilities for operations sold or closed in periods prior to those presented. Amounts are in millions except share and per share data.

	2018	2017	2016	2015	2014
Net sales	\$1,846.8	\$1,581.3	\$1,613.1	\$1,865.7	\$2,305.2
Gross Profit	328.1	281.9	253.3	332.2	467.2
Total operating costs and expenses (1)	347.4	273.5	396.3	332.6	349.8
Operating income (loss)	(19.3 )	8.4	(143.0 )	(0.4 )	117.4
Total other expense	(52.4 )	(47.9 )	(125.1 )	(110.6 )	(137.8 )
Loss from continuing operations before income taxes	(71.7 )	(39.5 )	(268.1 )	(111.0 )	(20.4 )
Provision (benefit) for income taxes	(4.8 )	(49.5 )	100.5	(41.1 )	(17.8 )
Income (loss) from continuing operations	(66.9 )	10.0	(368.6 )	(69.9 )	(2.6 )
Discontinued operations: (2)					
Income (loss) from discontinued operations, net of income taxes	(0.2 )	(0.6 )	(7.2 )	135.4	161.4
Loss on sale of discontinued operations, net of income taxes	—	—	—	—	(11.0 )
Net income (loss)	(67.1 )	9.4	(375.8 )	65.5	147.8
Less: Net income (loss) attributable to noncontrolling interest, net of tax	—	—	—	—	3.9
Net income (loss) attributable to Manitowoc common shareholders	\$(67.1 )	\$9.4	\$(375.8 )	\$65.5	\$143.9
Amounts attributable to the Manitowoc common shareholders:					
Income (loss) from continuing operations	\$(66.9 )	\$10.0	\$(368.6 )	\$(69.9 )	\$(6.9 )
Income (loss) from discontinued operations, net of income taxes	(0.2 )	(0.6 )	(7.2 )	135.4	161.8
Loss on sale of discontinued operations, net of income taxes	—	—	—	—	(11.0 )
Net income (loss) attributable to Manitowoc common shareholders	\$(67.1 )	\$9.4	\$(375.8 )	\$65.5	\$143.9
Basic income (loss) per common share:					
Income (loss) from continuing operations	\$(1.88 )	\$0.28	\$(10.70 )	\$(2.06 )	\$(0.20 )

Edgar Filing: MANITOWOC CO INC - Form 10-K

attributable to Manitowoc common shareholders										
Income (loss) from discontinued operations										
attributable to Manitowoc common shareholders										
	(0.01	)	(0.02	)	(0.21	)	3.98	4.80		
Loss on sale of discontinued operations, net of income taxes										
	—		—		—		—	(0.33	)	
Basic income (loss) per share attributable to										
Manitowoc common shareholders										
	\$(1.89	)	\$0.26		\$(10.91	)	\$1.92	\$4.27		
Diluted income (loss) per common share:										
Income (loss) from continuing operations										
attributable to Manitowoc common shareholders										
	\$(1.88	)	\$0.28		\$(10.70	)	\$(2.06	)	\$(0.20	)
Income (loss) from discontinued operations										
attributable to Manitowoc common shareholders										
	(0.01	)	(0.02	)	(0.21	)	3.98	4.80		
Loss on sale of discontinued operations, net of income taxes										
	—		—		—		—	(0.33	)	
Diluted income (loss) per share attributable to										
Manitowoc common shareholders										
	\$(1.89	)	\$0.26		\$(10.91	)	\$1.92	\$4.27		
Cash dividends per share										
	\$—		\$—		\$—		\$0.08	\$0.08		
Average shares outstanding:										
Basic										
	35,513,162		35,111,594		34,441,777		34,009,048	33,733,723		
Diluted										
	35,513,162		35,854,902		34,441,777		34,009,048	33,733,723		
PROPERTY, PLANT AND EQUIPMENT										
Property, plant and equipment - net										
	\$288.9		\$303.7		\$308.8		\$410.7	\$456.7		
Capital expenditures										
	(31.7	)	(28.9	)	(45.9	)	(54.9	)	(59.5	)
Depreciation										
	36.1		38.1		45.6		50.6	47.2		
TOTAL ASSETS (3)										
	\$1,541.9		\$1,607.8		\$1,517.8		\$3,562.5	\$3,821.1		
CAPITALIZATION										
Current and long-term obligations										
	\$273.1		\$274.9		\$281.5		\$1,397.6	\$1,503.1		
Total stockholders' equity										
	601.3		677.5		590.5		842.3	844.9		

Notes to the table above:

Table of Contents

- (1) During 2018, the Company recorded an \$82.2 million goodwill impairment charge in the EURAF segment. Refer to Note 9, “Goodwill and Other Intangible Assets” to the Consolidated Financial Statements for additional information.
- (2) Discontinued operations represent the results of operations of Manitowoc’s former foodservice business through the March 4, 2016 spin-off (refer to note 4, “Discontinued Operations” to the Consolidated Financial Statements for additional information regarding the spin-off), and results of operations of our Chinese joint venture, Manitowoc Dong Yue, through the sale date, January 21, 2014.
- (3) Total assets includes assets of discontinued operations of \$0.0, \$0.0, \$0.0, \$1,755.7 and \$1,899.6 for the years ended 2018, 2017, 2016, 2015 and 2014, respectively.

24

---

Table of Contents

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes appearing in Part II, Item 8 of this Annual Report on Form 10-K.

Overview: Manitowoc is a leading provider of engineered lifting solutions, including lattice-boom cranes, tower cranes, mobile telescopic cranes and boom trucks. The Company has three reportable segments, the Americas segment, EURAF segment, and MEAP segment. The segments were identified using the “management approach,” which designates the internal organization that is used by the CEO, who is also the Company’s Chief Operating Decision Maker, for making decisions about the allocation of resources and assessing performance.

During the first quarter of fiscal 2016, the Board of Directors of Manitowoc approved the tax-free spin-off of the Company’s former foodservice business (“MFS” or “Foodservice”) into an independent, public company (the “Spin-Off”). As a result of the Spin-Off, the Consolidated Financial Statements and related financial information reflect MFS operations, assets, liabilities and cash flows as discontinued operations for all periods presented. Refer to Note 4, “Discontinued Operations,” to the Consolidated Financial Statements for additional information regarding the Spin-Off.

The Company has identified the Americas, EURAF, and MEAP as the reportable segments. The Americas operating segment includes the North American and South American continents. The EURAF operating segment includes the continents of Europe and Africa. The MEAP operating segment includes the Asia and Australian continents and the Middle East region.

In Management’s Discussion and Analysis, unless otherwise indicated, references to Manitowoc, the Company, we and us refer to The Manitowoc Company, Inc. and its consolidated subsidiaries.

The following discussion and analysis provides an overview analysis behind our results for 2016 through 2018 and is broken down into three sections. First, we provide an overview of our results of operations for the years 2016 through 2018 on a segment and consolidated basis. Next, we discuss our market conditions, liquidity and capital resources, off-balance sheet arrangements and obligations and commitments. Finally, we provide a discussion of risk management techniques, contingent liability issues, and critical accounting policies.

All dollar amounts, except per share amounts, are in millions of dollars throughout the tables included in Management’s Discussion and Analysis of Financial Conditions and Results of Operations unless otherwise indicated.

Table of Contents

## Results of Consolidated Operations

	2018	2017	2016
Operations			
Net sales	\$1,846.8	\$1,581.3	\$1,613.1
Cost of sales	1,518.7	1,299.4	1,359.8
Gross Profit	328.1	281.9	253.3
Operating costs and expenses:			
Engineering, selling and administrative expenses	251.6	245.3	270.4
Asset impairment expense	82.6	0.1	96.9
Amortization of intangible assets	0.3	0.8	3.0
Restructuring expense	12.9	27.2	23.4
Other expense	—	0.1	2.6
Total operating costs and expenses	347.4	273.5	396.3
Operating income (loss)	(19.3 )	8.4	(143.0 )
Other expense:			
Interest expense	(39.1 )	(39.2 )	(39.6 )
Amortization of deferred financing fees	(1.8 )		