Horizon Global Corp
Form 10-K
March 18, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Form 10-K
(Mark One)

x 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

o 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 001-37427

HORIZON GLOBAL CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware	47-3574483
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

2600 W. Big Beaver Road, Suite 555
Troy, Michigan 48084
(Address of Principal Executive Offices, Including Zip Code)
(248) 593-8820
(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, $0.01 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 o No x

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

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 x No o

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) 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. x

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 definition of "accelerated filer," "large accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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. Yes x No o

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

The aggregate market value of the common stock held by non-affiliates of the Registrant as of June 29, 2018 was approximately $145.0 million, based upon the closing sales price of the Registrant's common stock, $0.01 par value, reported for such date on the New York Stock Exchange. For purposes of this calculation only, directors and executive officers are deemed to be affiliates of the Registrant.

As of March 12, 2019, the number of outstanding shares of the Registrant's common stock, $0.01 par value, was 25,205,608 shares.

Portions of the Registrant's Proxy Statement for the 2019 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein.

Horizon Global Corporation
Index

		Forward-Looking Statements	3
Part I.			
	Item 1.	Business	4
	Item 1A.	Risk Factors	10
	Item 1B.	Unresolved Staff Comments	21
	Item 2.	Properties	21
	Item 3.	Legal Proceedings	22
	Item 4.	Mine Safety Disclosures	22
	Supplementary Item.	Executive Officers of the Company	22
Part II.			
	Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	24
	Item 6.	Selected Financial Data	26
	Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
	Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	42
	Item 8.	Financial Statements and Supplementary Data	44
	Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	86
	Item 9A.	Controls and Procedures	86
	Item 9B.	Other Information	86
Part III.			
	Item 10.	Directors, Executive Officers and Corporate Governance	87
	Item 11.	Executive Compensation	87
	Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	87
	Item 13.	Certain Relationships and Related Transactions, and Director Independence	87
	Item 14.	Principal Accountant Fees and Services	87
Part IV.			
	Item 15.	Exhibits and Financial Statement Schedules	88
	Exhibit Index		II-1
	Item 16.	Form 10-K Summary	II-5
	Signatures		II-6

Table of Contents

Forward-Looking Statements

This Annual Report on Form 10-K may contain “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements speak only as of the date they are made and give our current expectations or forecasts of future events. These forward-looking statements can be identified by the use of forward-looking words, such as “may,” “could,” “should,” “estimate,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “target,” “plan” or other comparable words, or by discussions of strategy that may involve risks and uncertainties. These forward-looking statements are subject to numerous assumptions, risks and uncertainties which could materially affect our business, financial condition or future results including, but not limited to, risks and uncertainties with respect to: the Company’s leverage; liabilities imposed by the Company’s debt instruments; market demand; competitive factors; supply constraints; material and energy costs; technology factors; litigation; government and regulatory actions including the impact of any tariffs; quotas or surcharges; the Company’s accounting policies; future trends; general economic and currency conditions; various conditions specific to the Company’s business and industry; and other risks that are discussed in, Part I, Item 1A, “Risk Factors.” The risks described in this Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deemed to be immaterial also may materially adversely affect our business, financial position and results of operations or cash flows.

The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We caution readers not to place undue reliance on the statements, which speak only as of the date of this Annual Report on Form 10-K. We do not undertake any obligation to review or confirm analysts’ expectations or estimates or to release publicly any revisions to any forward-looking statement to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events, except as otherwise required by law.

We disclose important factors that could cause our actual results to differ materially from our expectations implied by our forward-looking statements under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere in this Annual Report on Form 10-K. These cautionary statements qualify all forward-looking statements attributed to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, we mean to include effects upon our business, financial and other conditions, results of operations, prospects and ability to service our debt.

We caution readers not to place undue reliance on forward-looking statements. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect the Company. We undertake no obligation to update publicly or otherwise, whether as a result of new information, future events or otherwise, except as required by law.

Table of Contents

PART I

Item 1. Business

Overview

Horizon Global Corporation, which we refer to herein as "Horizon," "Horizon Global," "we" or the "Company," became an independent, publicly traded company as the result of a tax-free spin-off (the "Spin-off") from TriMas Corporation, or "TriMas," on June 30, 2015. To affect the Spin-off, each TriMas shareholder of record as of the close of business on June 25, 2015 (the "Record Date") received two Horizon Global common shares for every five TriMas common shares held as of the Record Date. On July 1, 2015, the Company began trading on the New York Stock Exchange ("NYSE") under the ticker symbol "HZN".

We are a leading designer, manufacturer and distributor of a wide variety of high-quality, custom-engineered towing, trailering, cargo management and other related accessory products on a global basis, serving the automotive aftermarket, retail and original equipment manufacturers ("OEMs") and servicers ("OESs") (collectively "OEs") channels. The Company is organized into three operating segments: Horizon Americas, Horizon Asia-Pacific, and Horizon Europe-Africa. Horizon Americas has operations in North and South America and is generally a leader in towing and trailering-related products sold through retail, aftermarket, OE, e-commerce and industrial channels, especially in North America. Horizon Asia Pacific and Horizon Europe Africa focus their sales and manufacturing efforts outside of North and South America. Horizon Asia Pacific operates primarily in Australia, Thailand, and New Zealand, while Horizon Europe Africa operates primarily in Germany, France, the United Kingdom, Romania, and South Africa. We believe Horizon Asia Pacific and Horizon Europe Africa have been leaders in towing related products sold through the OE and aftermarket channels in their regions.

Our products are used in two primary categories across the world: commercial applications, or "Work," and recreational activities, or "Play." Some of the markets in our Work category include agricultural, automotive, construction, fleet, industrial, marine, military, mining and municipalities. Some of the markets in our Play category include equestrian, power sports, recreational vehicle, specialty automotive, truck accessory and other specialty towing applications. We believe that the primary brands we offer are among the most recognized in the markets we serve and are known for quality, safety and performance. Our products reach end consumers through many avenues, including independent installers, warehouse distributors, dealers, OE, retail stores and online retailers.

We believe no individual competitor serving the channels we participate in can match our broad product portfolio, which we categorize into the following four groups:

Towing: This product category includes devices and accessories installed on a tow-vehicle for the purpose of attaching a trailer, camper, etc. such as hitches, fifth wheels, gooseneck hitches, weight distribution systems, wiring harnesses, draw bars, ball mounts, crossbars, tow bars, security and other towing accessories;

Trailering: This product category includes control devices and components of the trailer itself such as brake controls, jacks, winches, couplers, interior and exterior vehicle lighting and brake replacement parts;

Cargo Management: This product category includes a wide variety of products used to facilitate the transportation of various forms of cargo, to secure that cargo or to organize items. Examples of these products are bike racks, roof cross bar systems, cargo carriers, luggage boxes, car interior protective products, rope, tie-downs, tarps, tarp straps, bungee cords, loading ramps and interior travel organizers; and

Other: This product category includes a diverse range of items in our portfolio that do not fit into any of the previous three main categories. Items in this category include tubular push bars, side steps, sports bars, skid plates, and oil pans.

We have positioned our product portfolio to create a variety of options based on price-point, ranging from entry-level to premium-level products across most of our markets. We believe the brands we offer in our aftermarket channel have significant customer recognition, with the four most significant being Reese®, Hayman-Reese™, Draw-Tite® and Westfalia®. We believe all four have substantial market share and have been leading brands in the towing market for over 50 years. These brands provide the foundation of our market position based on worldwide commercial and

consumer acceptance. We also maintain a collection of regionally recognized brands that include Aqua Clear™, Bulldog®, BTM, DHF, Engetran, Fulton®, Kovil, Parkside®, Reese Secure™, Reese Explorer™, Reese Power Sports, Reese Towpower™, ROLA®, Tekonsha®, Trojan®, WesBarg®, Witter Towbar

Table of Contents

Systems and Best Bars®. In addition to these product brands, we historically marketed our products to our OE customers in the Asia-Pacific segment, and more recently in the Americas, under the name TriMotive.

Our Industry

Our products are sold into a diverse set of end-markets; the primary applications relate to automotive accessories for light and recreational vehicles. Purchases of automotive accessory parts are discretionary, and we believe demand is driven by macro-economic factors including (i) employment trends, (ii) consumer sentiment and (iii) fuel prices, among others.

We believe all of these metrics impact both our Work- and Play-related sales. In addition, we believe the Play-related sales are more sensitive to changes in these indices, given the Play-related sales tend to be more directly related to disposable income levels. In general, recent decreases in unemployment and fuel prices, coupled with increases in consumer sentiment, are positive trends for our businesses.

Aftermarket and Retail Channels

We sell our products in the aftermarket and retail channels to a wide range of customers, including national and regional distributors, installers, and both traditional brick and mortar and e-commerce merchants, including automotive, home hardware, farm and fleet, and mass merchants. More recent trends in the aftermarket and retail channels include:

Channel Consolidation: In the more mature market of the United States, there has been increasing consolidation in distribution networks with larger, more sophisticated aftermarket distributors and retailers gaining market share. In kind, these distributors generally require larger, more sophisticated suppliers with product expertise, category management and supply chain services and capabilities, as well as a global manufacturing and services footprint. We provide customers in this category the opportunity to rationalize their supply base of vendors in our product lines by virtue of our broad offering and product expertise; and

Growth of Online Capabilities: Reaching consumers directly through online capabilities, including e-commerce, is having an increasing impact on the global automotive aftermarket and retail channels. Establishment of a robust online presence is critical for suppliers regardless of whether or not they participate directly in e-commerce. We believe we are positioned well to take advantage of this continuing trend, given our established online presence. We support consumers by offering a wide range of information on our products and services, including installation videos, custom-fit guides and links to authorized dealers and both brick and mortar and e-commerce merchants.

OE Channels

The OE channel is comprised of automobile manufacturers and their dealer networks, referred to collectively as automotive OE, as well as non-automotive manufacturers of agricultural equipment, trailers, and other custom assemblies, collectively referred to as industrial OE. The two main components of this channel are OEMs and OESs. While OE demand is typically driven by planned production, suppliers also grow by increasing their product content on each unit produced through sales of existing product lines or expansion into new product line offerings. Given the consolidation and globalization throughout the automotive industry, suppliers combining a global presence with strong engineering, technology, manufacturing, supply chain and customer support will be best positioned to take advantage of automotive OE business opportunities.

More recent trends in the global OE supplier market include:

Global Platform/Supplier Consolidation: Automotive OEs are adopting global vehicle platforms to decrease product development costs and increase manufacturing efficiency and profitability. As a result, automotive OEs are selecting

Table of Contents

suppliers that have the capacity to manufacture and deliver products on a worldwide basis as well as the flexibility to adapt products to local variations. Suppliers with a global supply chain and efficient manufacturing capabilities are best positioned to benefit from this trend. We believe we are uniquely positioned to take advantage of this trend as a result of our global manufacturing footprint, highly developed supply chain relationships and track record of success in solving application challenges in our product lines;

Outsourcing of Design and Manufacturing of Vehicle Parts and Systems: Automotive OEs continually strive to simplify their assembly processes, lower costs and reduce development times. As a result, they have increasingly relied on suppliers to perform many of the design, engineering, research and development and assembly functions traditionally performed by automotive OEs. Suppliers with extensive design and engineering capabilities are in the best position to benefit from this trend as they are able to offer value-added solutions with superior features and convenience. We believe certain automotive OEs have sought us out to assist with their engineering challenges to increase towing capacity and for the many solutions provided by our existing products; and

Shorter Product Development Cycles: Due to frequent shifts in government regulations and customer preferences, OEs are requiring suppliers to continue to provide new designs and product innovations. These trends are prevalent in mature markets as well as, emerging markets, which are advancing rapidly towards the regulatory standards and consumer preferences of the more mature markets. Suppliers with strong technologies, robust engineering and development capabilities are best positioned to meet OE demands for rapid innovation. Our broad product offerings, product expertise, and global engineering footprint enables us to rapidly deploy solutions meeting the changing customer needs.

Competitive Strengths

We believe our operating segments share and benefit from the following competitive strengths:

Diverse Product Portfolio of Market Leading Brands. We believe we benefit from a diverse portfolio of high-quality and highly-engineered products sold under globally recognized and market leading brand names. By offering a wide range of products, we are able to provide a complete solution to satisfy our customers' towing, trailering and cargo management needs, as well as serve diverse channels through effective brand management. Our brands are well-known in their respective product areas and channels. We believe that we are the leading supplier of towing products and among the leading suppliers of trailering products globally.

Global Scale with Flexible Manufacturing Footprint and Supply Chain. We were built through internal growth and a series of acquisitions to become the only truly global automotive accessories company with the products we offer. We have the ability to produce low-volume, customized, quick-turn products in our global manufacturing facilities, while our sourcing arrangements with third-party suppliers provides us with the flexibility to manufacture or source high-volume products as end-market demand fluctuates. Our flexible manufacturing capability, low-cost manufacturing facilities and established supply chain allow us to quickly and efficiently respond to changes in end-market demand.

Long-Term Relationships with a Diverse Customer Base. Our customers encompass a broad range of OEs, mass merchants, e-commerce websites, distributors, dealers, and independent installers, representing multiple channels to reaching the end consumer. Blue chip customers include Ford Motor Company, FCA, Volkswagen, BMW, Mercedes-Benz, AutoZone, Amazon, Toyota, Canadian Tire, LKQ, U-Haul, Home Depot and Etrailer, among others. Our customer relationships are well established, with many exceeding 20 years. These strong partnerships can provide stability to our revenue base through economic cycles. We believe Horizon's diverse product portfolio, global scale and flexible manufacturing capabilities enable us to provide a unique value proposition to customers.

Globally Competitive Cost Structure. Since becoming an independent public company, we have focused on margin improvement activities, identifying and acting on projects to reduce our cost structure. With focused, identifiable projects under way or complete, we believe we should benefit from improved operating margins and cash flow that can then be deployed to high-value creation activities. The combination of our strong brand names, leading market position, flexible manufacturing and sourcing operations have historically resulted in significant cash flow generation.

Experienced Management Team. Our management team is led by our Chief Executive Officer, Carl Bizon, who has over 23 years of experience, most recently as the President of Horizon Americas. Prior to the Spin-off, he led TriMas's international business, including both Europe-Africa and Asia-Pacific, as well as previously serving as Chief Executive Officer of Jayco Corporation. Brian Whittman, a Managing Director with Alvarez & Marsal North Americas, LLC, serves as our interim Chief Financial Officer since joining Horizon in October 2018. He brings more than 20 years of financial,

Table of Contents

operational and leadership experience to the role. James Tindell, interim President of Horizon Americas, has over 24 years of financial, operational, and business leadership experience with companies such as Black & Decker and Newell Rubbermaid. Jason Kieseker, President of Horizon Asia Pacific and Horizon Europe-Africa, joined the Horizon business in 2001 and has held various leadership roles primarily within our Horizon Asia Pacific business.

Key Business Priorities

Horizon Global established the following strategic platforms for value creation focused on business improvement and transformation, supported by a company culture of continuous improvement.

Margin Expansion. Our first priority is to drive the organization to a 10% operating margin level. We believe the investments made in our facilities and equipment over the past few years, along with our efforts to realign our operations, should provide the foundation for additional margin expansion. We are developing an organization in which all team members are focused on constantly improving the efficiency of all operations through the adoption of lean and continuous improvement practices.

Capital Structure. Our second priority is to improve our capital structure. Our goal is to gradually reduce leverage over time. We aim to accomplish this goal through both margin improvement as well as paying down our fixed obligations, and should we decide to do so, we have a structure in place that allows us to prepay debt in addition to the amortization required under our term debt.

Operational Stabilization. Our third priority is to stabilize existing operations after significant management changes and changes in distribution footprint in the Americas and in manufacturing footprint in Europe-Africa during the year. We aim to have our distribution centers and manufacturing facilities operating efficiently and effectively to meet peak demand during our traditional summer selling season in 2019.

Organic Growth. Our fourth priority is to grow the business 3% to 5% on an organic basis, annually. We have identified five broad areas of focused growth activities, involving geographic markets and sales channels, which we believe are particularly aligned with our competitive strengths.

Growth Strategies

Prior to becoming an independent public company, Horizon operated on a regional basis under separate management teams, with independent business decisions and resource allocations made by the Horizon Americas, Horizon Asia Pacific and Horizon Europe Africa leaders. As a public company, we continue to reorganize our global operations to operate as a single combined entity. As a result, we believe that we have multiple opportunities to integrate, improve and grow our business, whether via organic initiatives or via acquisitions of new products or in new geographies, through the following strategies:

Balanced Original Equipment and Aftermarket growth. The global market for accessories and vehicle personalization is increasing across channels. Automotive manufacturers are looking for suppliers to partner with to create genuine accessories to meet this need. Historically, this has been undertaken as a regional effort, but the growth of global automotive OE has increased the need for global suppliers. Our geographic footprint, existing customer relationships and the increase in global vehicle platforms align to present us with unique opportunities to grow with our automotive OE customers. The Company is positioned to balance and leverage the OE growth with growth in the aftermarket as we have significant brand recognition and strategic distributor and customer relationships.

E-commerce. We intend to leverage the breadth of our product portfolio and global manufacturing footprint to expand our presence in the high growth e-commerce channel. This strategy is applicable in our developed markets where a focus on content delivery and customer support drive growth. It is also a powerful tool as we look at developing new, less mature markets around the world, enabling a direct connection with the users of our product set.

Low Cost Countries. We believe our manufacturing presence in Mexico, Romania and Thailand, provide opportunities for growth, while supporting both new and existing global customers in a cost-effective manner.

Table of Contents

Chinese Market. China is in the early stages of adoption for towing and trailering products. As this adoption rate increases, there is an opportunity for us to bring our experience in the safe use of these products into the market in a meaningful capacity. The rapidly growing middle class, in concert with a developing interest in an outdoor recreational lifestyle, is expected to result in incremental demand for our automotive aftermarket products and accessories. We intend to leverage our existing relationships with global automotive OEs and our global manufacturing and distribution network to expand our sales as the economy continues to develop and expand.

Product Innovation. Our presence in the OE channel and multiple geographic markets allows us to leverage development costs and product innovation tied to new vehicles across our entire global footprint.

Marketing, Customers and Distribution

Horizon employs a dedicated sales force in each of our primary channels. In serving our customers globally, we rely upon our strong historical customer relationships, custom engineering capability, brand recognition, broad product offerings, our established distribution network and varied merchandising strategies to bolster our towing, trailering, cargo management and accessory product sales. Significant Horizon customers include Ford Motor Company, Volkswagen, Toyota and General Motors/Holden in the OE channel; Tractor Supply Company and Super Retail Group in the retail channel; and LKQ, U-Haul and Redneck Trailer Supplies in the aftermarket channel. No customer represented greater than 10% of total revenue during the years ended December 31, 2018, 2017 or 2016.

Competition

The competitive environment for automotive accessory products is highly fragmented and is characterized by numerous smaller suppliers, even the largest of which tend to focus in narrow product categories. We believe there is no individual competitor that has the breadth of product portfolio on a global basis in the markets we serve. Significant towing competitors include Curt Manufacturing, B&W Trailer Hitches, The Bosal Group, Brink Group, Buyers Products Company, Demco Products, PullRite, Westin Automotive Products and Camco. Significant trailering competitors include Pacific Rim, Dutton-Lainson, Shelby, Ultra-Fab, Sea-Sense and Atwood. In addition, competition in the cargo management product category primarily comes from Thule, Yakima, Bell, Masterlock and Saris.

Acquisition Strategy

We believe that our businesses have opportunity to grow through disciplined strategic acquisitions. We typically seek bolt-on acquisitions, in which we acquire another industry participant or adjacent product lines that enhance the strengths of our core businesses. When evaluating acquisition targets, we look for opportunities to expand our existing product offerings, gain access to new customers and end markets, add new early life cycle technologies, as well as add additional distribution channels, expand our geographic footprint and/or capitalize on scale and cost efficiencies.

Materials and Supply Arrangements

We procure a variety of materials from a global supplier base from around the world. We are sensitive to price movements in our raw materials supply base. Our largest material purchases are for steel, copper, and aluminum. We also consume a significant amount of energy via utilities in our facilities. Historically, when we have experienced increasing costs of steel, we have successfully passed those through to our customers, although sometimes with a delay due to competitive pressure.

Employees and Labor Relations

As of December 31, 2018, we employed approximately 4,200 people, of which approximately 11% were located in the United States. In the United States, we have no collective bargaining agreements. Employee relations have generally been satisfactory.

Seasonality and Backlog

We experience some seasonality in our business. Sales of towing and trailering products in the northern hemisphere, where we generate the majority of our sales, are generally stronger in the second and third calendar quarters, as trailer OEs, distributors and retailers acquire product for the spring and summer selling seasons. The Company’s businesses in the southern hemisphere are stronger in the first and fourth calendar quarters. In addition, within the OE channels, there is moderate seasonality due to production schedules and the launch of component production for new vehicle models, which generally occurs in the third calendar quarter of the year. Accordingly, our results reflect any

seasonality we may experience. We normally do not consider order backlog to be a material factor in our businesses.

Table of Contents

Environmental Matters

We are subject to U.S. federal, state and local, and non-U.S. international increasingly stringent environmental and safety and health laws and regulations, including those relating to air emissions, wastewater discharges and chemical and hazardous waste management and disposal. Some of these environmental laws hold owners or operators of land or businesses liable for their own and for previous owners' or operators' releases of hazardous or toxic substances or wastes. Other environmental laws and regulations require the obtainment and compliance with environmental permits. To date, costs of complying with environmental, health and safety requirements have not been material. However, the nature of our operations and our long history of industrial activities at certain of our current or former facilities, as well as those acquired, could potentially result in material environmental liabilities.

While we must comply with existing and pending climate change legislation, regulation and international treaties or accords, current laws and regulations have not had a material impact on our business, capital expenditures or financial position. Future events, including those relating to climate change or greenhouse gas regulation could require us to incur expenses related to the modification or curtailment of operations, installation of pollution control equipment or investigation and cleanup of contaminated sites.

International Operations

Approximately 55.2% of our net sales for the year ended December 31, 2018 were derived outside of the United States. We may significantly expand our international operations through organic growth and acquisitions. In addition, approximately 74.0% of our consolidated property and equipment, net as of December 31, 2018 were located outside of the United States. We operate manufacturing facilities in Australia, Brazil, France, Germany, Romania, Mexico, New Zealand, South Africa, and Thailand.

Website Access to Company Reports

We use our Investor Relations website, www.horizonglobal.com, as a venue for routine distribution of important information, including news releases, analyst presentations and financial information. We post filings as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC, including our annual, quarterly, and current reports on Forms 10-K, 10-Q and 8-K, our proxy statements and any amendments to those reports or statements. All such postings and filings are available on our Investor Relations website free of charge. The SEC also maintains a website, www.sec.gov, that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The content on any website referred to in this Annual Report on Form 10-K is not incorporated by reference into this Annual Report on Form 10-K unless expressly noted.

Table of Contents

Item 1A. Risk Factors

You should carefully consider each of the risks described below, together with information included elsewhere in this Annual Report on Form 10-K and other documents we file with the SEC. The risks that are highlighted below are not the only ones that we face. Some of our risks relate principally to our business and the industry in which we operate, while others relate principally to our spin-off from TriMas, to the securities markets in general and ownership of our common stock. If any of the following risks actually occur, our business, financial condition or results of operations could be negatively affected.

Risks Relating to our Business and our Industry

Our businesses depend upon general economic conditions and we serve some customers in highly cyclical industries; as such, we may be subject to the loss of sales and margins due to an economic downturn or recession.

Our financial performance depends, in large part, on conditions in the markets that we serve in both the U.S. and global economies. Some of the industries that we serve are highly cyclical, such as the agricultural, automotive, construction, horse/livestock, industrial, marine, military, recreational, trailer and utility markets. We may experience a reduction in sales and margins as a result of a downturn in economic conditions or other macroeconomic factors. Lower demand for our products may also negatively affect the capacity utilization of our production facilities, which may further reduce our operating margins.

We have a substantial amount of debt. To service our debt, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control. If we cannot generate the required cash, we may not be able to make the necessary payments required under our debt.

At December 31, 2018, we had total long-term debt of approximately $382.2 million (without giving effect to the equity component of our convertible senior notes or any debt discount). Our ability to make payments on our debt, fund our other liquidity needs, and make planned capital expenditures will depend on our ability to generate cash in the future. Our historical financial results have been, and we anticipate that our future financial results will be, subject to fluctuations. Our ability to generate cash, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot guarantee that our business will generate sufficient cash flow from our operations or that future borrowings will be available to us in an amount sufficient to enable us to make payments of our debt, fund other liquidity needs and make planned capital expenditures.

The degree to which we are currently leveraged could have important consequences for shareholders. For example, it could:

- require us to dedicate a substantial portion of our cash from operations to the payment of debt service, reducing the availability of our cash flow to fund working capital, capital expenditures, acquisition and other general corporate purposes;
- increase our vulnerability to adverse economic or industry conditions;
- limit our ability to obtain additional financing in the future to enable us to react to changes in our business; or
- place us at a competitive disadvantage compared to businesses in our industry that have less debt.

Additionally, any failure to comply with covenants in the instruments governing our debt could result in an event of default which, if not cured or waived, would have a material adverse effect on us.

The terms of the agreements governing our revolving credit facility and term loan restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The terms of the agreements governing our revolving credit facility and term loan contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to:

- incur additional indebtedness and guarantee indebtedness;
- pay dividends or make other distributions or repurchase or redeem capital stock;
- prepay, redeem or repurchase certain debt;
- issue certain preferred stock or similar equity securities;

make loans and investments;

Table of Contents

sell assets;
incur liens;
enter into transactions with affiliates;
alter the businesses we conduct;
enter into agreements restricting our subsidiaries' ability to pay dividends; and
consolidate, merge or sell all or substantially all of our assets.

In addition, the restrictive covenants in the agreements governing our revolving credit facility and term loan require us to maintain specified financial ratios and satisfy other financial condition tests. Although we entered into amendments to these agreements in March 2019 to, among other things, provide for a relaxation of certain of our financial covenants, our ability to meet the financial ratios and tests can be affected by events beyond our control, and we may be unable to meet them.

A breach of the covenants or restrictions under agreements governing our revolving credit facility and term loan could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the agreement governing our revolving credit facility would permit the lenders under our revolving credit facility to terminate all commitments to extend further credit under that facility. Furthermore, if we were unable to repay the amounts due and payable under our revolving credit facility and term loan, those lenders could proceed against the collateral granted them to secure that indebtedness. In the event our lenders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. As a result of these restrictions, we may be:

limited in how we conduct our business;
unable to raise additional debt or equity financing to operate during general economic or business downturns; and
unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our strategy. In addition, our financial results, our substantial indebtedness and our credit ratings could adversely affect the availability and terms of our financing.

Many of the markets we serve are highly competitive, which could limit the volume of products that we sell and reduce our operating margins.

Many of our products are sold in competitive markets. We believe that the principal points of competition in our markets are product quality and price, design and engineering capabilities, product development, conformity to customer specifications, reliability and timeliness of delivery, customer service and effectiveness of distribution. Maintaining and improving our competitive position will require continued investment by us in manufacturing, engineering, quality standards, marketing, customer service and support of our distribution networks. We may have insufficient resources in the future to continue to make such investments and, even if we make such investments, we may not be able to maintain or improve our competitive position. We also face the risk of lower-cost foreign manufacturers located in China, Southeast Asia, India and other regions competing in the markets for our products, and we may be driven as a consequence of this competition to increase our investment overseas. Making overseas investments can be highly complicated and we may not always realize the advantages we anticipate from any such investments. Competitive pressure may limit the volume of products that we sell and reduce our operating margins.

We may be unable to successfully implement our business strategies. Our ability to realize our business strategies may be limited.

Our businesses operate in relatively mature industries and it may be difficult to successfully pursue our growth strategies and realize material benefits therefrom. Even if we are successful, other risks attendant to our businesses and the economy generally may substantially or entirely eliminate the benefits.

We may not achieve our strategic goals for margin expansion, capital structure improvement and organic growth; our past performance in these areas may not be indicative of future performance. Failure to achieve our strategic goals may adversely impact our results of operations.

Our strategic platforms for value creation and goals for margin expansion, capital structure improvement and organic growth are subject to risk and uncertainty and depend on general economic, credit, capital market and other conditions that are beyond our

Table of Contents

control and are subject to fluctuation. Our past performance with respect to margin expansion, capital structure improvement and organic growth, both before and after the spin-off, should be considered independent from, and may not be a reliable indicator of, future performance. These strategic goals may need to be revised or may not be met for a number of reasons, including changes in general economic conditions in the United States and abroad, changes in credit and capital market conditions, increased competition in the markets for our products, increases in raw material or energy costs and changes in technology and manufacturing techniques.

Increases in our raw material or energy costs or the loss of critical suppliers could adversely affect our profitability and other financial results.

We are sensitive to price movements in our raw materials supply base. Our largest material purchases are for steel, copper and aluminum. The prices for these products have historically been volatile, fluctuate with worldwide market and economic conditions, import duties and tariffs, including the Section 232 steel and aluminum tariffs initiated by the U.S. government in 2018, and may increase as a result of various factors, including: a reduction in the number of suppliers due to restructuring, bankruptcies and consolidations, declining supply due to mine or mill closures and other factors that adversely impact supplier profitability, including increases in supplier operating expenses caused by rising raw material and energy costs. We may be unable to completely offset the impact with price increases on a timely basis due to outstanding commitments to our customers, competitive considerations or our customers' resistance to accepting such price increases and our financial performance may be adversely impacted by further price increases. A failure by our suppliers to continue to supply us with certain raw materials or component parts on commercially reasonable terms, or at all, could have a material adverse effect on us. To the extent there are energy supply disruptions or material fluctuations in energy costs, our margins could be materially adversely impacted.

Our products are typically highly engineered or customer-driven and we are subject to risks associated with changing technology and manufacturing techniques that could place us at a competitive disadvantage.

We believe that our customers rigorously evaluate their suppliers on the basis of product quality, price competitiveness, technical expertise and development capability, new product innovation, reliability and timeliness of delivery, product design capability, manufacturing expertise, operational flexibility, customer service and overall management. Our success depends on our ability to continue to meet our customers' changing expectations with respect to these criteria. We anticipate that we will remain committed to product research and development, advanced manufacturing techniques and service to remain competitive, which entails significant costs. We may be unable to address technological advances, implement new and more cost-effective manufacturing techniques, or introduce new or improved products, whether in existing or new markets, so as to maintain our businesses' competitive positions or to grow our businesses as desired.

We depend on the services of key individuals and relationships, the loss of which could materially harm us.

Our success will depend, in part, on the efforts of our senior management, including our Chief Executive Officer. Our future success will also depend on, among other factors, our ability to attract and retain other qualified personnel. The loss of the services of any of our key employees or the failure to attract or retain employees could have a material adverse effect on us.

A future impairment of our intangible assets or goodwill could have a material negative impact on our financial results.

At December 31, 2018, our intangible assets and goodwill were approximately $78.1 million and $12.7 million, respectively. Intangibles and goodwill each represented approximately 15% and 2% of our total assets, respectively. If we experience declines in sales and operating profit or do not meet our current and forecasted operating budget, we may be subject to future impairment charges. Because of the significance of these assets, any future impairment could have a material adverse effect on our financial results.

We may face liability associated with the use of products for which patent ownership or other intellectual property rights are claimed.

We may be subject to claims or inquiries regarding alleged unauthorized use of a third party's intellectual property. An adverse outcome in any intellectual property litigation could subject us to significant liabilities to third parties, require

us to license technology or other intellectual property rights from others, require us to comply with injunctions to cease marketing or using certain products or brands, or require us to redesign, re-engineer, or re-brand certain products or packaging, any of which could affect our business, financial condition and operating results. If we are required to seek licenses under patents or other intellectual property rights of others, we may not be able to acquire these licenses on acceptable terms, if at all. In addition, the cost of responding to an intellectual property infringement claim, in terms of legal fees and expenses and the diversion of management resources, whether or not the claim is valid, could have a material adverse effect on our business, results of operations and financial condition.

Table of Contents

We may be unable to adequately protect our intellectual property.

While we believe that our patents, trademarks and other intellectual property have significant value, it is uncertain that this intellectual property or any intellectual property acquired or developed by us in the future, will provide a meaningful competitive advantage. Our patents or pending applications may be challenged, invalidated or circumvented by competitors or rights granted thereunder may not provide meaningful proprietary protection. Moreover, competitors may infringe on our patents or successfully avoid them through design innovation. Policing unauthorized use of our intellectual property is difficult and expensive, and we may not be able to, or have the resources to, prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the United States. The cost of protecting our intellectual property may be significant and could have a material adverse effect on our financial condition and future results of operations.

We may incur material losses and costs as a result of product liability, recall and warranty claims that may be brought against us.

A significant product liability lawsuit, warranty claim or product recall involving us could adversely affect our financial performance. In the event that our products fail to perform as expected, regardless of fault, and such failure results in, or is alleged to result in, bodily injury and/or property damage or other losses, we may be subject to product liability lawsuits and other claims or we may be required to participate in a recall or other corrective action involving such products. Further, any product liability or warranty issues may adversely affect our reputation as a manufacturer of high-quality, safe products, divert management's attention, and could have a material adverse effect on our business. We currently carry insurance and maintain reserves for potential product liability and recall claims. However, our insurance coverage may be inadequate if such claims do arise and any liability not covered by insurance could have a material adverse effect on our business. Although we have been able to obtain insurance in amounts we believe to be appropriate to cover such liability to date, our insurance premiums may increase in the future as a consequence of conditions in the insurance business generally or our situation in particular. Any such increase could result in lower net income or cause the need to reduce our insurance coverage. Any product liability claim may also include the imposition of punitive damages, the award of which, pursuant to certain state laws, may not be covered by insurance. Our product liability insurance policies have limits that, if exceeded, may result in material costs that could have an adverse effect on our future profitability. In addition, warranty claims are generally not covered by our product liability insurance.

Our business may be materially and adversely affected by compliance obligations and liabilities under environmental laws and regulations.

We are subject to increasingly stringent environmental laws and regulations at the local, state, national and international levels, and existing and any new laws and regulations, including those relating to air emissions, wastewater discharges and chemical and hazardous waste management, could affect our general business operations. Some of these environmental laws hold owners or operators of land or businesses liable for their own and for previous owners' or operators' releases of hazardous or toxic substances or wastes. Other environmental laws and regulations require the obtainment and compliance with environmental permits. To date, costs of complying with environmental, health and safety requirements have not been material. However, the nature of our operations and our long history of industrial activities at certain of our current or former facilities, as well as those acquired, could potentially result in material environmental liabilities.

While we must comply with existing and pending climate change legislation, regulation and international treaties or accords, current laws and regulations have not had a material impact on our business, capital expenditures or financial position. We cannot assess the financial or operational impact of future regulatory changes; however, future events, including those relating to climate change or greenhouse gas regulation, could require us to incur expenses related to the modification or curtailment of operations, installation of pollution control equipment or investigation and cleanup of contaminated sites.

Our borrowing costs may be impacted by our credit ratings developed by various rating agencies.

Two major ratings agencies, Standard & Poor's and Moody's, evaluate our credit profile on an ongoing basis and have each assigned ratings for our long-term debt. If our credit ratings were to decline, our ability to access certain financial markets may become limited, the perception of us in the view of our customers, suppliers and security holders may worsen and as a result, we may be adversely affected.

Table of Contents

Our access to new capital may be impact by fluctuations in interest rates.

The Federal Reserve raised interest rates four times in 2018 and may raise them again in 2019. An increase in interest rates may result in tighter capital markets, increasing the cost and reducing the availability of debt financing. Restricted access to debt financing could impact that availability of working capital and may adversely affect us.

We have significant operating lease obligations and our failure to meet those obligations could adversely affect our financial condition.

We lease many of our manufacturing facilities and certain capital equipment. Our rental expense in 2018 under these operating leases was approximately $21.8 million. A failure to pay our rental obligations would constitute a default allowing the applicable landlord to pursue any remedy available to it under applicable law, which would include taking possession of our property and, in the case of real property, evicting us. These leases are categorized as operating leases and are not considered indebtedness for purposes of our debt instruments.

We may be subject to further unionization and work stoppages at our facilities or our customers may be subject to work stoppages, which could seriously impact the profitability of our business.

As of December 31, 2018, approximately 34% of our work force was unionized under several different unions. We are not aware of any present active union organizing drives at any of our other facilities. We cannot predict the impact of any further unionization of our workplace. Future labor disagreements could result in work stoppages. Any prolonged work stoppages at any of our facilities could have a material adverse effect on our business.

Many of our direct or indirect customers have unionized work forces. Strikes, work stoppages or slowdowns experienced by these customers or their suppliers could result in slowdowns or closures of assembly plants where our products are included. In addition, organizations responsible for shipping our customers' products may be impacted by occasional strikes or other activity. Any interruption in the delivery of our customers' products could reduce demand for our products and could have a material adverse effect on us.

Our healthcare costs for active employees and future retirees may exceed our projections and may negatively affect our financial results.

We provide healthcare benefits for active employees through comprehensive hospital, surgical and major medical benefit provisions, all of which are subject to various cost-sharing features. If our costs under our benefit programs for active employees exceed our projections, our business and financial results could be materially adversely affected. Additionally, foreign competitors and many domestic competitors provide fewer benefits to their employees, and this difference in cost could adversely impact our competitive position.

A significant portion of our sales is derived from international sources, which exposes us to certain risks which may adversely affect our business and our financial results.

We have extensive operations outside of the United States. Approximately 55% of our net sales for the year ended December 31, 2018 were derived from sales by our subsidiaries located outside of the United States. In addition, we may significantly expand our international operations through internal growth and acquisitions. International operations, particularly sales to emerging markets and manufacturing in non-U.S. countries, are subject to risks which are not present within U.S. markets, which include, but are not limited to, the following:

changes in local government regulations and policies including, but not limited to, governmental embargoes, repatriation of earnings, expropriation of property, duty or tariff restrictions, investment limitations and tax policies;

changes in local economic conditions;

political and economic instability and disruptions, including labor unrest, civil strife, acts of war, guerrilla activities, insurrection and terrorism;

legislation that regulates the use of chemicals;

disadvantages of competing against companies from countries that are not subject to U.S. laws and regulations, including the Foreign Corrupt Practices Act ("FCPA");

Table of Contents

compliance with international trade laws and regulations, including export control and economic sanctions, such as anti-dumping duties;
difficulties in staffing and managing multi-national operations;
limitations on our ability to enforce legal rights and remedies;
tax inefficiencies in repatriating cash flow from non-U.S. subsidiaries that could affect our financial results and reduce our ability to service debt;
reduced protection of intellectual property rights;
increasingly complex laws and regulations concerning privacy and data security, including the European Union's General Data Protection Regulation; and
other risks arising out of foreign sovereignty over the areas where our operations are conducted.

We are also exposed to risks relating to U.S. policy with respect to companies doing business in foreign jurisdictions, particularly in light of the current U.S. presidential administration. Changes in laws or policies governing the terms of foreign trade, in particular increased trade restrictions, tariffs or taxes on import from countries where we procure or manufacture products, such as China and Mexico, could have a material adverse effect on our business and results of operations. For instance, during 2018, the U.S. and Chinese governments have imposed a series of significant incremental retaliatory tariffs to certain imported goods. With respect to the automotive industry, the U.S. imposed tariffs on imports of certain steel, aluminum and automotive components, with China imposing retaliatory tariffs on certain automotive components. Given the uncertainty regarding the duration of the imposed tariffs, as well as the potential for additional tariffs by the U.S., China or other countries, as well as other changes in tax policy, trade regulations or trade agreements, and the Company's ability to implement strategies to mitigate the impact of changes in tax policy, tariffs or other trade regulations, our exposure to the risks described above could have a material adverse effect on our business and results of operations.

Although our financial results are reported in U.S. dollars, a portion of our sales and operating costs are realized in foreign currencies. Our sales and profitability are impacted by the movement of the U.S. dollar against foreign currencies in the countries in which we generate sales and conduct operations. Long-term fluctuations in relative currency values could have an adverse effect on our operations and financial conditions.

In addition, we could be adversely affected by violations of the FCPA and similar worldwide anti-bribery laws as well as export controls and economic sanction laws. The FCPA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business.

Our reputation, ability to do business, and results of operations may be impaired by improper conduct by any of our employees, agents, or business partners.

While we strive to maintain high standards, we cannot provide assurance that our internal controls and compliance systems will always protect us from acts committed by our employees, agents, or business partners that would violate U.S. and/or non-U.S. laws or fail to protect our confidential information, including the laws governing payments to government officials, bribery, fraud, anti-kickback and false claims rules, competition, export and import compliance, money laundering, and data privacy laws, as well as the improper use of proprietary information or social media. Any such allegations, violations of law or improper actions could subject us to civil or criminal investigations in the United States and in other jurisdictions, could lead to substantial civil or criminal, monetary and non-monetary penalties, and related shareholder lawsuits, could lead to increased costs of compliance, could damage our reputation and could have a material effect on our financial statements.

We may not realize the growth opportunities and cost synergies that are anticipated from acquisitions.

The benefits from past or future acquisitions will depend, in part, on our ability to realize the anticipated growth opportunities and cost synergies. There is a significant degree of difficulty and management distraction inherent in the process of integrating acquisitions. There can be no assurance that we will successfully or cost-effectively integrate past or future acquisitions. The failure to do so could have a material adverse effect on our business, financial condition, and results of operations.

15

Table of Contents

Our acquisition agreements by which we have acquired companies include indemnification provisions that may not fully protect us and may result in unexpected liabilities.

Certain of the agreements related to the acquisition of businesses require indemnification against certain liabilities related to the operations of the company for the previous owner. We cannot be assured that any of these indemnification provisions will fully protect us, and as a result we may incur unexpected liabilities that adversely affect our profitability and financial position.

Increased information technology security threats and more sophisticated and targeted computer crime could pose a risk to our systems, networks, and products.

We collect, store, have access to and otherwise process certain confidential or sensitive data, including proprietary business information, personal data or other information that is subject to privacy and security laws, regulations and/or customer-imposed controls. Increased global information technology security threats and more sophisticated and targeted computer crime pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data and communications. While we attempt to mitigate these risks by employing a number of measures, monitoring of our networks and systems, and maintenance of backup and protective systems, our systems, networks and products remain potentially vulnerable to advanced persistent threats. Depending on their nature and scope, such threats could potentially lead to the compromising of confidential information and communications, improper use of our systems and networks, manipulation and destruction of data, defective products, production downtimes and operational disruptions, which in turn could adversely affect our reputation, customer relationships, competitiveness and results of operations. We may be required to incur significant costs to remedy damages caused by these disruptions or security breaches or to protect against disruption or security breaches in the future.

A major disruption or failure of our information systems could harm our business.

We depend on integrated information systems to conduct our business. We may experience operating problems with our information systems as a result of system disruptions, failures, viruses, computer hackers or other causes. Any significant disruption or slowdown of our systems could cause customers to cancel orders or cause standard business processes to become inefficient or ineffective. An extended interruption of standard business processes may affect our profitability and financial position.

The accounting method for convertible debt securities that may be settled in cash, such as our convertible senior notes, could have a material effect on our reported financial results.

Under Accounting Standards Codification ("ASC") 470-20, "Debt with Conversion and Other Options", which we refer to as ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as our convertible senior notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for our convertible senior notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of our convertible senior notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of our convertible senior notes to their face amount over the term of the convertible senior notes. We will report lower net income in our financial statements because ASC 470-20 will require interest to include both the current period's amortization of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the convertible senior notes.

In addition, under certain circumstances, convertible debt instruments (such as our convertible senior notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of our convertible senior notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of our convertible senior notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if

the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of our convertible senior notes, then our diluted earnings per share would be adversely affected.

Table of Contents

The conditional conversion features of our 2.75% Convertible Senior Notes due 2022, if triggered, may adversely affect our financial condition.

In the event the conditional conversion features of the Convertible Notes are triggered, holders of the Convertible Notes will be entitled to convert the Convertible Notes at any time during specified periods at their option. If one or more holders elect to convert their Convertible Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock, we would be required to make cash payments to satisfy all or a portion of our conversion obligation based on the conversion rate, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Convertible Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Convertible Notes as a current rather than long-term liability, which could result in a material reduction of our net working capital.

The convertible note hedge and warrant transactions that we entered into in connection with the offering of the Convertible Senior Notes due 2022 may affect the value of the Convertible Notes and our common stock.

In connection with the offering of the Convertible Notes, we entered into convertible note hedge transactions with certain option counterparties. The Convertible Note Hedges are expected generally to reduce the potential dilution upon conversion of the Convertible Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Convertible Notes, as the case may be. We also entered into warrant transactions with each option counterparty. The Warrants could separately have a dilutive effect on our common stock to the extent that the market price per share of our common stock exceeds the strike price of the Warrants. In connection with establishing its initial hedge of the Convertible Note Hedges and Warrants, each option counterparty or an affiliate thereof may have entered into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the Convertible Notes. This activity could increase (or reduce the size of any decrease in) the market price of our common stock or the Convertible Notes at that time. In addition, each option counterparty or an affiliate thereof may modify its hedge position by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the Convertible Notes (and is likely to do so during any observation period related to a conversion of the Convertible Notes). This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the Convertible Notes. In addition, if any such Convertible Note Hedges and Warrants fail to become effective, each option counterparty may unwind its hedge position with respect to our common stock, which could adversely affect the value of our common stock and the value of the Convertible Notes.

We are subject to counterparty risk with respect to the convertible note hedge transactions.

Each option counterparty to the Convertible Note Hedges is a financial institution, and we will be subject to the risk that it might default under the Convertible Note Hedges. Our exposure to the credit risk of an option counterparty will not be secured by any collateral. Global economic conditions have from time to time resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under our transactions with the option counterparty. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in the market price and in the volatility of our common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of any option counterparty.

Risks Relating to the Spin-off

We remain subject to continuing contingent liabilities of TriMas following the spin-off.

There are several significant areas where the liabilities of TriMas may yet become our obligations. The separation and distribution agreement and employee matters agreement generally provide that we are responsible for substantially all liabilities that relate to our Horizon Americas and Horizon Asia Pacific business activities, whether incurred prior to or after the spin-off, as well as those liabilities of TriMas specifically assumed by us. In addition, under the Internal Revenue Code (the “Code”) and the related rules and regulations, each corporation that was a member of the TriMas

consolidated tax reporting group during any taxable period or portion of any taxable period ending on or before the completion of the spin-off is jointly and severally liable for the federal income tax liability of the entire TriMas consolidated tax reporting group for that taxable period. In connection with the spin-off, we entered into a tax sharing agreement with TriMas that allocated the responsibility for prior period taxes of the TriMas consolidated tax reporting group between us and TriMas. However, if TriMas is unable to pay any prior period taxes for which it is responsible, we could be required to pay the entire amount of such taxes. Other provisions of federal law establish similar liability for other matters, including laws governing tax-qualified pension plans as well as other contingent liabilities.

Table of Contents

Potential liabilities associated with certain assumed obligations under the tax sharing agreement cannot be precisely quantified at this time.

Under the tax sharing agreement with TriMas, we are responsible generally for certain taxes paid after the spin-off attributable to us or any of our subsidiaries, whether accruing before, on or after the spin-off. We have also agreed to be responsible for, and to indemnify TriMas with respect to, all taxes arising as a result of the spin-off (or certain internal restructuring transactions) failing to qualify as transactions under Sections 368(a) and 355 of the Code for U.S. federal income tax purposes (which could result, for example, from a merger or other transaction involving an acquisition of our shares) to the extent such tax liability arises as a result of any breach of any representation, warranty, covenant or other obligation by us or certain affiliates made in connection with the issuance of the tax opinion relating to the spin-off or in the tax sharing agreement. As described above, such tax liability would be calculated as though TriMas (or its affiliate) had sold its shares of common stock of our company in a taxable sale for their fair market value, and TriMas (or its affiliate) would recognize taxable gain in an amount equal to the excess of the fair market value of such shares over its tax basis in such shares. That tax liability could have a material adverse effect on our company.

We may not be able to engage in desirable strategic or equity raising transactions following the spin-off. In addition, under some circumstances, we could be liable for any adverse tax consequences resulting from engaging in significant strategic or capital raising transactions.

Even if the spin-off otherwise qualifies as a tax-free distribution under Section 355 of the Code, the spin-off may result in significant U.S. federal income tax liabilities to TriMas under applicable provisions of the Code if 50% or more of TriMas' shares or our shares (in each case, by vote or value) are treated as having been acquired, directly or indirectly, by one or more persons (other than the acquisition of our common stock by TriMas stockholders in the spin-off) as part of a plan (or series of related transactions) that includes the spin-off. Under those provisions, any acquisitions of TriMas shares or our shares (or similar acquisitions), or any understanding, arrangement or substantial negotiations regarding an acquisition of TriMas shares or our shares (or similar acquisitions), within two years before or after the spin-off are subject to special scrutiny. The process for determining whether an acquisition triggering those provisions has occurred is complex, inherently factual and subject to interpretation of the facts and circumstances of a particular case. If a direct or indirect acquisition of TriMas shares or our shares resulted in a change in control as contemplated by those provisions, TriMas (but not its stockholders) would recognize a taxable gain. Under the tax sharing agreement, there are restrictions on our ability to take actions that could cause the separation to fail to qualify as a tax-free distribution, and we will be required to indemnify TriMas against any such tax liabilities attributable to actions taken by or with respect to us or any of our affiliates, or any person that, after the spin-off, is an affiliate thereof. We may be similarly liable if we breach certain other representations or covenants set forth in the tax sharing agreement. As a result of the foregoing, we may be unable to engage in certain strategic or capital raising transactions that our stockholders might consider favorable, including use of Horizon common stock to make acquisitions and equity capital market transactions, or to structure potential transactions in the manner most favorable to us, without adverse tax consequences, if at all.

Potential indemnification liabilities to TriMas pursuant to the separation and distribution agreement could materially and adversely affect our business, financial condition, results of operations and cash flows.

We entered into a separation and distribution agreement with TriMas that provides for, among other things, the principal corporate transactions required to affect the spin-off, certain conditions to the spin-off and provisions governing the relationship between our company and TriMas with respect to and resulting from the spin-off. Among other things, the separation and distribution agreement provides for indemnification obligations designed to make us financially responsible for substantially all liabilities that may exist relating to our Cequent business activities, whether incurred prior to or after the spin-off, as well as those obligations of TriMas assumed by us pursuant to the separation and distribution agreement. If we are required to indemnify TriMas under the circumstances set forth in the separation and distribution agreement, we may be subject to substantial liabilities.

18

Table of Contents

In connection with our separation from TriMas, TriMas will indemnify us for certain liabilities. However, there can be no assurance that the indemnity will be sufficient to insure us against the full amount of such liabilities, or that TriMas' ability to satisfy its indemnification obligations will not be impaired in the future.

Pursuant to the separation and distribution agreement, TriMas agreed to indemnify us for certain liabilities. However, third parties could seek to hold us responsible for any of the liabilities that TriMas has agreed to retain, and there can be no assurance that the indemnity from TriMas will be sufficient to protect us against the full amount of such liabilities, or that TriMas will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from TriMas any amounts for which we are held liable, we may be temporarily required to bear these liabilities ourselves. If TriMas is unable to satisfy its indemnification obligations, the underlying liabilities could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Further, TriMas' insurers may deny coverage to us for liabilities associated with occurrences prior to the spin-off. Even if we ultimately succeed in recovering from such insurance providers, we may be required to temporarily bear such loss of coverage.

Risks Relating to Ownership of Our Common Stock

We are currently out of compliance with the NYSE's minimum market capitalization requirement and are at risk of the NYSE delisting our common stock, which would have an adverse impact on the trading volume, liquidity and market price of our common stock.

On January 3, 2019, we were notified (the "Notice") by the New York Stock Exchange (the "NYSE") that we were not in compliance with the continued listing standard set forth in Section 802.01B of the NYSE Listed Company Manual because our average market capitalization was less than $50 million over a consecutive 30 trading-day period and our stockholders' equity was less than $50 million. We submitted a plan to the NYSE indicating that we currently intend to seek to cure the market capitalization condition by executing our strategic plan, which is expected to result in improved operational and financial performance that we expect will ultimately lead to a recovery of our common stock price and market capitalization. Our common stock could also be delisted if our average market capitalization over a consecutive 30 day-trading period is less than $15 million, in which case we would not have an opportunity to cure the deficiency, our common stock would be suspended from trading on the NYSE immediately, and the NYSE would begin the process to delist our common stock, subject to our right to appeal under NYSE rules. We cannot assure you that any appeal we undertake in these or other circumstances will be successful. While we are working to cure this deficiency and regain compliance with this continued listing standard, there can be no assurance that we will be able to cure this deficiency or if we will cease to comply with another continued listing standard of the NYSE.

A delisting of our common stock from the NYSE could negatively impact us as it would likely reduce the liquidity and market price of our common stock; reduce the number of investors willing to hold or acquire our common stock; and negatively impact our ability to access equity markets and obtain financing.

Our stock price may be subject to significant volatility due to our own results or market trends.

If our revenue, earnings or cash flows in any quarter fail to meet the investment community's expectations, there could be an immediate negative impact on our stock price. Our stock price could also be impacted by broader market trends and world events unrelated to our performance.

Our issuance of convertible senior notes, or the issuance of any additional shares of our common stock or instruments convertible into shares of our common stock, could materially and adversely affect the market price of our common stock.

In February 2017, we issued $125.0 million aggregate principal amount of convertible senior notes. The convertible senior notes may be settled in cash, shares of common stock or a combination of cash and shares of common stock, at our option. In the future, we may issue additional shares of our common stock or other instruments convertible into, or exchangeable or exercisable for, shares of our common stock. The recent convertible senior notes issuance, and any future issuance of shares of our common stock or instruments convertible into, or exercisable or exchangeable into, shares of our common stock, may materially and adversely affect the market price of our common stock.

In particular, a substantial number of shares of our common stock is reserved for issuance upon conversion of the convertible senior notes upon exercise and settlement or termination of the warrant transactions that we entered into in connection with the convertible senior notes offering, and upon the exercise of stock options, the vesting of restricted stock awards and deferred restricted stock units to our employees. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sale of substantial amounts of shares of our common stock, or the

Table of Contents

perception that such issuances and sales may occur, could adversely affect the market price of our common stock and impair our ability to raise capital through the sale of additional equity or equity-linked securities. In addition, the market price of our common stock could also be affected by possible sales of our common stock by investors who view our convertible senior notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving our convertible senior notes and our common stock.

Anti-takeover provisions contained in our Amended and Restated Certificate of Incorporation, or our "certificate of incorporation," and Amended and Restated Bylaws, or our "bylaws," as well as provisions of Delaware law, could impair a takeover attempt that stockholders may consider favorable.

Our certificate of incorporation and bylaws provisions, as amended and restated, may have the effect of delaying, deferring or discouraging a prospective acquiror from making a tender offer for our common stock or otherwise attempting to obtain control of us. These provisions, among other things, establish that our board of directors fixes the number of members of the board, divide the board of directors into three classes with staggered terms and establish advance notice requirements for nomination of candidates for election to the board or for proposing matters that can be acted on by stockholders at stockholder meetings. To the extent that these provisions discourage takeover attempts, they could deprive stockholders of opportunities to realize takeover premiums for their shares of common stock. Moreover, these provisions could discourage accumulations of large blocks of our common stock, thus depriving stockholders of any advantages that large accumulations of common stock might provide.

As a Delaware corporation, we will also be subject to provisions of Delaware law, including Section 203 of the General Corporation Law of the State of Delaware. Section 203 prevents some stockholders holding more than 15% of our voting stock from engaging in certain business combinations unless the business combination or the transaction that resulted in the stockholder becoming an interested stockholder was approved in advance by our board of directors, results in the stockholder holding more than 85% of our voting stock, subject to certain restrictions, or is approved at an annual or special meeting of stockholders by the holders of at least 66 $^{2/3}$% of our voting stock not held by the stockholder engaging in the transaction.

Any provision of our certificate of incorporation or our bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

We may issue preferred stock with terms that could dilute the voting power or reduce the value of our common stock.

Our amended and restated certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over our common stock respecting dividends and distributions, as our board of directors generally may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred stock could affect the residual value of our common stock.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company" as defined in the Jumpstart our Business Startups Act of 2012 (the "JOBS Act"). For as long as we continue to be an emerging growth company we may choose to take advantage of certain exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies, which includes, among other things:

- exemption from the auditor attestation requirements under Section 404 of the Sarbanes-Oxley Act of 2002;
- reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements;
- exemption from the requirements of holding non-binding stockholder votes on executive compensation arrangements; and

exemption from any rules requiring mandatory audit firm rotation and auditor discussion and analysis and, unless the SEC otherwise determines, any future audit rules that may be adopted by the Public Company Accounting Oversight Board.

Table of Contents

We could be an emerging growth company until the last day of the fiscal year following the fifth anniversary of the consummation of the spin-off, or until the earliest of (i) the last day of the fiscal year in which we have annual gross revenue of $1 billion (subject to adjustment for inflation) or more, (ii) the date on which we have, during the previous three year period, issued more than $1 billion in non-convertible debt or (iii) the date on which we are deemed to be a large accelerated filer under the federal securities laws. We will qualify as a large accelerated filer as of the first day of the first fiscal year after we have (i) more than $700 million in outstanding common equity held by our non-affiliates and (ii) been public for at least 12 months. The value of our outstanding common equity will be measured each year on the last day of our second fiscal quarter.

Under the JOBS Act, emerging growth companies are also permitted to elect to delay adoption of new or revised accounting standards until companies that are not subject to periodic reporting obligations are required to comply, if such accounting standards apply to non-reporting companies. We have made an irrevocable decision to opt out of this extended transition period for complying with new or revised accounting standards.

Changes in laws or regulations or the manner of their interpretation or enforcement could adversely impact our financial performance and restrict our ability to operate our business or execute our strategies.

New laws or regulations, or changes in existing laws or regulations, or the manner of their interpretation or enforcement, could increase our cost of doing business and restrict our ability to operate our business or execute our strategies. In particular, there may be significant changes in U.S. laws and regulations and existing international trade agreements by the current U.S. presidential administration that could affect a wide variety of industries and businesses, including those businesses we own and operate. If the current U.S. presidential administration materially modifies U.S. laws and regulations and international trade agreements, our business, financial condition, and results of operations could be adversely affected.

On December 22, 2017, U.S. tax reform legislation informally known as the Tax Cuts and Jobs Act, or the "Act," was signed into law. The Act makes substantial changes to U.S. tax law, including a reduction in the corporate tax rate, a limitation on deductibility of interest expense, a limitation on the use of net operating losses to offset future taxable income, the allowance of immediate expensing of capital expenditures, deemed repatriation of foreign earnings and significant changes to the taxation of foreign earnings going forward. We expect the Act to have significant effects on us, some of which may be adverse. For example, we would expect impacts on the amount of tax expense and deferred tax assets and liabilities recognized in the financial statements. The extent of the impact remains uncertain at this time and is subject to any other regulatory or administrative developments including any regulations or other guidance promulgated by the U.S. Internal Revenue Service. The Act contains numerous, complex provisions impacting U.S. multinational companies, and we continue to review and assess the legislative language and its potential impact on us.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

As of December 31, 2018, our operations were conducted through 37 facilities in 18 countries. All of our principal manufacturing facilities are leased. The leases for our manufacturing facilities have initial terms that expire from 2019 through 2027 and are all renewable, at our option, for various terms, provided that we are not in default under the lease agreements. Our corporate headquarters are located in Troy, Michigan under a lease through October 2027. We believe that substantially all of our properties are in generally good condition and there is sufficient capacity to meet current and projected manufacturing, product development and logistics requirements and have developed a footprint strategy that supports our customers' global needs.

Table of Contents

The following list identifies, by operating segment, the location of our principal manufacturing and other facilities as of December 31, 2018:

Horizon Americas	Horizon Asia Pacific	Horizon Europe Africa
United States:		
Indiana:		International:
South Bend		Germany:
		Hartha
Michigan:	International:	Rheda-Wiedenbrück
Plymouth	Australia:	
	Keysborough, Victoria	France:
Texas:		Luneray
McAllen	New Zealand:	
	Manukau City	Romania:
Kansas:		Braşov
Edgerton	Thailand:	
	Chon Buri	South Africa:
International:		Pretoria
Brazil:		Springs
Itaquaquecetuba, São Paulo		
		United Kingdom:
Canada:		Deeside
Mississauga, Ontario		
Mexico:		
Reynosa		

Item 3. Legal Proceedings

We are subject to claims and litigation in the ordinary course of business, but we do not believe that any such claim or litigation is likely to have a material adverse effect on our financial position, results of operations or cash flows. For additional information regarding legal proceedings, refer to note 14 “Contingencies,” included in Item 8, “Financial Statements and Supplementary Data,” within this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

Supplementary Item. Executive Officers of the Company

The current executive officers of Horizon are as follows:

A. Carl Bizon. Mr. Bizon was appointed our President and Chief Executive Officer on October 29, 2018. From May 8, 2018 through October 28, 2018, Mr. Bizon served as interim President and Chief Executive Officer, and from January 29, 2018 through May 7, 2018 Mr. Bizon served as president of Horizon Global Americas segment. Prior to Horizon Global’s spin-off from its former parent company, TriMas Corporation (“TriMas”), Mr. Bizon led its international businesses from 2008 to 2015, including both Europe-Africa and Asia-Pacific. Before re-joining the Company, Mr. Bizon served as Chief Executive Officer at Jayco Corporation, Australia’s largest manufacturer of camper trailers, caravans and motorhomes. Prior to TriMas, he developed a strong knowledge and skill set in the areas of sales, manufacturing, customer management, product development, IT and large-scale project management at companies such as GWA International, Stramit Industries and Tubemakers. Mr. Bizon brings extensive experience in the manufacturing sector and expertise in operations.

Barry G. Steele. Mr. Steele has served as our Chief Financial Officer since February 18, 2019. Before joining Horizon, Mr. Steele served as Vice President of Finance and Chief Financial Officer of Gentherm Incorporated

("Gentherm"), a global developer

Table of Contents

and marketer of innovative thermal management technologies for a broad range of heating and cooling and temperature control applications for the automotive and medical markets, from 2004, and as its Treasurer from 2005, until January 2018. Prior to joining Gentherm, Mr. Steele held various finance positions with Advanced Accessory Systems, LLC, at the time, a global supplier of specialty accessories to the automotive industry, from 1997 to 2004, including Chief Accounting Officer, Chief Financial Officer, Corporate Controller and Financial Reporting Manager. From 1993 to 1997, Mr. Steele was Senior Auditor with Price Waterhouse LLP.

Brian Whittman. Mr. Whittman was appointed Vice President, Finance, Principal Financial and Accounting Officer of the Company effective February 18, 2019, prior to which Mr. Whittman served as interim Chief Financial Officer from November 9, 2018 to February 18, 2019. Whittman is currently a Managing Director at Alvarez & Marsal North America, LLC, part of a global professional services firm in Chicago, IL. He has 23 years of experience advising companies through performance improvement or financial restructuring across multiple industries, including automotive, manufacturing, and retail. Mr. Whittman has served in both executive officer and advisory roles while leading a number of complex engagements, most recently including Coriant, PSAV, Tribune and UCI International. Mr. Whittman began his career at Arthur Andersen and brings over 20 years of accounting and financial leadership experience.

Jay Goldbaum. Mr. Goldbaum was named our General Counsel effective November 13, 2017 and continues as chief compliance officer and corporate secretary. Mr. Goldbaum served as Legal Director, Chief Compliance Officer and Corporate Secretary since June 30, 2015 in connection with the spin-off from TriMas. From January 14, 2015 through June 29, 2015, Mr. Goldbaum served as Vice President, Corporate Secretary and a Director of Horizon. Mr. Goldbaum was previously Associate General Counsel-Commercial Law for TriMas beginning in January 2014. Mr. Goldbaum joined TriMas in January 2012 and held the position of Legal Counsel. Before joining TriMas, Mr. Goldbaum was an associate in the corporate and litigation practice groups at the law firm of Jaffe, Raitt, Heuer & Weiss, P.C. from September 2007 to August 2011.

Table of Contents

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock, par value $0.01 per share, is listed for trading on the New York Stock Exchange, or NYSE, under the symbol "HZN." As of March 12, 2019, there were 249 holders of record of our common stock.

Horizon does not intend to declare and pay any dividends on its common stock for the foreseeable future. The Company currently intends to invest its future earnings, if any, to fund its growth, to develop its business, for working capital needs and for general corporate purposes. Any payment of dividends will be at the discretion of Horizon's board of directors and will depend upon various factors then existing, including earnings, financial condition, results of operations, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends, restrictions imposed by applicable law, general business conditions and other factors that Horizon's board of directors may deem relevant.

Performance Graph

The following graph provides a comparison of the cumulative shareholder return on the Company's common stock to the returns of the Russell 2000 Index and the average performance of the Company's selected peer group[1] based on total shareholder return from July 1, 2015 (the first day our common stock began regular-way trading on the NYSE) through December 31, 2018. We have assumed that dividends have been reinvested and returns have been weighted-average based on market capitalization. The graph assumes that $100 was invested on July 1, 2015 in each of Horizon's common stock, the stocks comprising the Russell 2000 Index and the stocks comprising the peer group.

Table of Contents

(1) Includes Ametek Inc., Dorman Products Inc., Douglas Dynamics, Inc., Federal Signal Corporation, Fox Factory Holding Corp., Gentex Corporation, Gentherm Incorporated, LCI Industries, Manitex International Inc., Motorcar Parts of America, Inc., Shiloh Industries, Inc., Spartan Motors, Inc., Standard Motor Products, Inc., Stoneridge, Inc., Strattec Security Corporation, Superior Industries International, Inc., Wabash National Corporation and WABCO Holdings Inc.

Issuer Purchases of Equity Securities

The Company's purchases of its shares of common stock during the fourth quarter of 2018 were as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs [a]
October 1 - 31, 2018	—	$	——	813,494
November 1 - 30, 2018	—	$	——	813,494
December 1 - 31, 2018	—	$	——	813,494
Total	—	$	——	

(a) The Company has a share repurchase program that was announced in May 2017 to purchase up to 1.5 million shares of the Company's common stock. At the end of the fourth quarter of 2018, 813,494 shares of common stock remain to be purchased under this program. The share repurchase program expires on May 5, 2020.

Table of Contents

Item 6. Selected Financial Data

The consolidated financial statements for periods prior to the spin-off include the historical results of operations, assets and liabilities of the legal entities that are considered to comprise Horizon. Our historical results of operations, financial position, and cash flows presented in the consolidated financial statements for periods prior to the separation may not be indicative of what they would have been had we actually been a separate stand-alone public entity during such periods, nor are they necessarily indicative of our future results of operations, financial position and cash flows. The following data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our audited financial statements included in Item 8, "Financial Statements and Supplementary Data," within this Annual Report on Form 10-K.

	Year ended December 31,				
	2018[a]	2017[a]	2016[a]	2015	2014
	(dollars in thousands, except per share data)				
Statement of Income Data:					
Net sales	$849,950	$892,980	$649,200	$575,510	$611,780
Gross profit	143,880	207,600	160,350	143,040	148,090
Operating profit (loss)	(170,390)	34,760	6,300	19,570	24,460
Net income (loss)	(204,900)	(4,770)	(12,660)	8,300	15,350
Net loss attributable to noncontrolling interest	(940)	(1,220)	(300)	—	—
Net income (loss) attributable to Horizon Global	(203,960)	(3,550)	(12,360)	8,300	15,350
Net income (loss) per share attributable to Horizon Global:					
Basic	$(8.14)	$(0.14)	$(0.66)	$0.46	$0.85
Diluted	$(8.14)	$(0.14)	$(0.66)	$0.46	$0.85
Weighted average common shares outstanding:					
Basic	25,053,013	24,781,349	18,775,500	18,064,491	18,062,027
Diluted	25,053,013	24,781,349	18,775,500	18,160,852	18,113,416

[a] 2018, 2017 and 2016 results include the impact of the Westfalia Group acquisition.

	December 31,				
	2018	2017	2016	2015	2014
	(dollars in thousands)				
Balance Sheet Data:					
Total assets	$521,350	$661,030	$613,370	$331,580	$339,500
Short-term borrowings and current maturities, long-term debt	13,860	16,710	22,900	10,130	460
Long-term debt	350,650	258,880	327,040	178,610	300

Table of Contents

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition contains forward-looking statements regarding industry outlook and our expectations regarding the performance of our business. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under the heading "Forward-Looking Statements," at the beginning of this Annual Report on Form 10-K. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

The financial information discussed below and included in this Annual Report on Form 10-K for periods prior to the separation may not necessarily reflect what Horizon's financial condition, results of operations or cash flows would have been had Horizon been a stand-alone public entity during this period or what Horizon's financial condition, results of operations and cash flows may be in the future. You should read the following discussion together with Item 8, "Financial Statements and Supplementary Data" within this Annual Report on Form 10-K.

Overview

Headquartered in Troy, Michigan, we are a leading designer, manufacturer and distributor of a wide variety of high-quality, custom-engineered towing, trailering, cargo management and other related accessory products on a global basis, primarily serving the automotive aftermarket, retail and OE channels, supporting our customers primarily through a regional service model.

Critical factors affecting our ability to succeed include: our ability to realize the expected economic benefits of the changes made to our manufacturing and distribution footprint and management team during 2017 and 2018; our ability to quickly and cost-effectively introduce new products; our ability to continue to integrate acquired companies or products that have historically supplemented existing product lines, add new distribution channels and expand our geographic coverage and realize desired operating efficiencies; our ability to manage our cost structure more efficiently via supply base management, internal sourcing and/or purchasing of materials, selective outsourcing and/or purchasing of support functions, working capital management, and leverage of our administrative functions. If we are unable to do any of the foregoing successfully, our financial condition and results of operations could be materially and adversely impacted.

We report shipping and handling expenses associated with Horizon Americas' distribution network as an element of selling, general and administrative expenses in our consolidated statements of operations. As such, gross margins for Horizon Americas may not be comparable to those of Horizon Europe Africa and Horizon Asia Pacific, which primarily rely on third-party distributors, for which all costs are included in cost of sales.

Table of Contents

Segment Information and Supplemental Analysis

The following table summarizes financial information for our three operating segments:

	Year ended December 31,								
	2018	As a Percentage of Net Sales		2017	As a Percentage of Net Sales		2016	As a Percentage of Net Sales	
	(dollars in thousands)								
Net Sales									
Horizon Americas	$390,690	46.0	%	$439,700	49.2	%	$443,240	68.3	%
Horizon Europe Africa	323,260	38.0	%	325,970	36.5	%	104,080	16.0	%
Horizon Asia Pacific	136,000	16.0	%	127,310	14.3	%	101,880	15.7	%
Total	$849,950	100.0	%	$892,980	100.0	%	$649,200	100.0	%
Gross Profit									
Horizon Americas	$79,910	20.5	%	$127,990	29.1	%	$131,320	29.6	%
Horizon Europe Africa	29,550	9.1	%	46,760	14.3	%	6,560	6.3	%
Horizon Asia Pacific	34,420	25.3	%	32,850	25.8	%	22,470	22.1	%
Total	$143,880	16.9	%	$207,600	23.2	%	$160,350	24.7	%
Selling, General and Administrative Expense									
Horizon Americas	$86,380	22.1	%	$83,680	19.0	%	$86,470	19.5	%
Horizon Europe Africa	49,540	15.3	%	47,750	14.6	%	17,180	16.5	%
Horizon Asia Pacific	14,230	10.5	%	13,940	10.9	%	11,210	11.0	%
Corporate	35,210	N/A		26,250	N/A		30,290	N/A	
Total	$185,360	21.8	%	$171,620	19.2	%	$145,150	22.4	%
Net Loss on Disposition of Property and Equipment									
Horizon Americas	$340	0.1	%	$(240)	(0.1)%		$(230)	(0.1)%	
Horizon Europe Africa	1,870	0.6	%	(800)	(0.2)%		(280)	(0.3)%	
Horizon Asia Pacific	(70)	(0.1)%		(170)	(0.1)%		(30)	—	%
Corporate	—	N/A		(10)	N/A		—	N/A	
Total	$2,140	0.3	%	$(1,220)	(0.1)%		$(540)	(0.1)%	
Operating Profit (Loss)									
Horizon Americas	$(6,850)	(1.8)%		$44,060	10.0	%	$38,680	8.7	%
Horizon Europe Africa	(148,630)	(46.0)%		(1,790)	(0.5)%		(13,320)	(12.8)%	
Horizon Asia Pacific	20,250	14.9	%	18,740	14.7	%	11,230	11.0	%
Corporate	(35,160)	N/A		(26,250)	N/A		(30,290)	N/A	
Total	$(170,390)	(20.0)%		$34,760	3.9	%	$6,300	1.0	%
Capital Expenditures									
Horizon Americas	$6,760	1.7	%	$10,150	2.3	%	$5,550	1.3	%
Horizon Europe Africa	4,500	1.4	%	13,190	4.0	%	4,670	4.5	%
Horizon Asia Pacific	2,610	1.9	%	2,440	1.9	%	3,310	3.2	%
Corporate	—	N/A		1,510	N/A		1,010	N/A	
Total	$13,870	1.6	%	$27,290	3.1	%	$14,540	2.2	%
Depreciation and Amortization									
Horizon Americas	$8,160	2.1	%	$10,660	2.4	%	$10,750	2.4	%
Horizon Europe Africa	12,090	3.7	%	10,110	3.1	%	3,290	3.2	%
Horizon Asia Pacific	4,800	3.5	%	4,310	3.4	%	4,090	4.0	%

Corporate	330	N/A		260	N/A		90	N/A	
Total	$25,380	3.0	%	$25,340	2.8	%	$18,220	2.8	%

Table of Contents

Results of Operations

Year Ended December 31, 2018 Compared with Year Ended December 31, 2017

Overall, net sales decreased approximately $43.0 million, or approximately 4.8%, to $850.0 million during the twelve months ended December 31, 2018, as compared to $893.0 million during the twelve months ended December 31, 2017, primarily driven by a decrease in net sales in Horizon Americas, as well as a decrease in Horizon Europe Africa, which was partially offset by higher net sales in Horizon Asia Pacific. The decrease in net sales within Horizon Americas of approximately $49.0 million was primarily driven by challenges transitioning to a new aftermarket and retail distribution center in Kansas City, coupled with the decrease in sales related to the fourth quarter 2017 sale of the Broom and Brush product line. In addition, net sales decreased $2.7 million in Horizon Europe Africa primarily attributable to sales decreases in the automotive OES and aftermarket channels, partially offset by favorable currency exchange impacts in the operating segment. The net sales decrease was partially offset by an increase of $8.7 million in Horizon Asia Pacific, primarily attributable to a full year of sales in 2018 from a regional bolt-on acquisition completed in the third quarter of 2017.

Gross profit margin (gross profit as a percentage of net sales) approximated 16.9% and 23.2% during the twelve months ended

December 31, 2018 and 2017, respectively. Gross profit margin was negatively impacted by higher customer fines and penalties related to lower fulfillment rates and unfavorable input costs, including higher commodity costs in advance of pricing actions, higher freight costs and higher labor costs.

Operating profit (loss) margin (operating profit as a percentage of net sales) approximated (20.0)% and 3.9% during the twelve months ended December 31, 2018 and 2017, respectively. Operating profit (loss) decreased approximately $205.2 million, or 590.2%, to $(170.4) million during the twelve months ended December 31, 2018, as compared to $34.8 million during the twelve months ended December 31, 2017, primarily due to the impairment of goodwill and intangible assets totaling approximately $126.8 million in Horizon Europe Africa. Lower sales volumes and additional costs incurred from start-up challenges in the Americas' new Kansas City distribution center, as well as higher input and commodity costs in Horizon Americas. In addition, sales mix changes, higher commodity costs, performance inefficiencies and supply chain costs in Horizon Europe Africa negatively impacted operating profit (loss). The remainder of the decline is primarily attributable to costs incurred with the terminated acquisition of the Brink Group and restructuring costs to realign the Company's management and business footprint.

Interest expense increased approximately $5.3 million, to $27.7 million during the twelve months ended December 31, 2018, as compared to $22.4 million during the twelve months ended December 31, 2017, as a result of the increase in utilization of our revolving credit facilities, incremental $50.0 million in borrowings during the third quarter of 2018, and increased interest rate on our Term B Loan that occurred early in the third quarter of 2018.

Other expense, net increased approximately $10.4 million to $13.1 million during the twelve months ended December 31, 2018, as compared to $2.7 million during the twelve months ended December 31, 2017, primarily due to financing costs in connection with the pursuit of the Brink Group acquisition. The Brink Group acquisition was expected to close in the second quarter of 2018; however, the parties to the acquisition agreement mutually agreed to terminate the transaction. In addition, the company incurred a charge related to an unrelated acquisition indemnification asset.

The effective income tax rate for 2018 and 2017 was 3.0% and 195.8%, respectively. The lower effective income tax rate in 2018 is driven by the Company's performance, as well as the impairment of goodwill recorded in Horizon Europe Africa, which does not result in the recognition of a tax benefit, coupled with the finalization of the transition tax in the U.S. and the recognition of certain jurisdictional valuation allowances, including in the U.S.

Net loss increased approximately $200.1 million, to a net loss of $204.9 million during the twelve months ended December 31, 2018, from a net loss of $4.8 million in 2017. The decrease was primarily the result of a $205.2 million increase in operating loss, primarily driven by the $126.8 million of impairment of goodwill and intangible assets coupled with operating losses in Horizon Americas and Horizon Europe Africa.

See below for a discussion of operating results by operating segment.

Table of Contents

Horizon Americas. Net sales decreased approximately $49.0 million, or 11.1%, to $390.7 million during the twelve months ended December 31, 2018, as compared to $439.7 million during the twelve months ended December 31, 2017. The retail and aftermarket channels in North America were primarily negatively impacted by delivery delays out of our Kansas City distribution facility during 2018 that resulted in lower sales volumes and additional fines and penalties, which was associated with challenges of operating this facility for its first busy season including implementing new processes and a warehouse management system. Net sales decreased $22.4 million and $17.6 million in the retail and aftermarket channels, respectively. Contributing to the decrease in net sales in the retail channel were $11.8 million in lower net sales due to the sale of Broom and Brush product line that occurred during the fourth quarter of 2017. Net sales decreased $7.8 million in the e-commerce channel primarily as a result of a shift in sales mix within the operating segment during 2018. Net sales in our automotive OEM channel increased $2.8 million primarily as a result of increased customer demand, which was partially offset by a decrease of $2.5 million in the automotive OES channel. The remainder of the change is attributable to unfavorable foreign currency translation impacts primarily related to operations in South America.

Horizon Americas' gross profit decreased approximately $48.1 million to $79.9 million, or 20.5% of net sales, during the twelve months ended December 31, 2018, from approximately $128.0 million, or 29.1% of net sales, during the twelve months ended December 31, 2017. Approximately $13.8 million of this reduction was due to the decline in sales further noted above. Gross profit was also impacted by approximately $15.7 million of unfavorable input costs, including higher steel and other commodity costs and $6.2 million of higher freight out costs caused in part by reduced carrier capacity, all in advance of pricing actions. Further contributing to a decline in gross profit margin was approximately $7.6 million of incremental fines and penalties due to poor delivery performance from our new Kansas City distribution center. We also recorded $3.2 million of costs associated with closures of our Solon, Ohio and Mosinee, Wisconsin shared serviced and engineering facilities, as well as $0.7 million of other operational performance issues related to inefficiencies resulting from the Horizon Americas restructuring and footprint optimization. Gross profit was also negatively impacted by $2.6 million of outside service provider and expedited freight costs were incurred related to the paintline upgrade in our Mexico manufacturing facility completed in the fourth quarter of 2017, for which certain OE customer acceptance is pending. These negative factors were slightly offset by a $3.1 million benefit from reduced headcount and manufacturing efficiencies.

Selling, general and administrative expenses increased approximately $2.7 million to $86.4 million, or 22.1% of net sales, during the twelve months ended December 31, 2018, as compared to $83.7 million, or 19.0% of net sales, during the twelve months ended December 31, 2017. The increase was primarily due to approximately $4.4 million of costs associated with a project to optimize our distribution footprint, $5.4 million of costs, including severance, associated with the facility closures and costs related to other organizational restructuring efforts. The increase in costs was partially offset from cost savings efforts previously noted, which resulted in a decrease in salaries and other compensation of $3.8 million. In addition, there was $3.0 million of lower amortization year-over-year as certain customer relationships have fully amortized.

Horizon Americas' operating profit (loss) decreased approximately $50.9 million to $(6.9) million, or (1.8)% of net sales, during the twelve months ended December 31, 2018, from $44.1 million, or 10.0% of net sales, during the twelve months ended December 31, 2017. Operating profit and operating profit margin decreased primarily due to lower sales volumes and mix coupled with additional costs incurred for ongoing operational improvement, restructuring and footprint optimization, unfavorable commodity costs, increased fines, penalties and freight costs, and operational inefficiencies and performance issues related to the operational and footprint optimization projects throughout the year.

Horizon Europe-Africa. Net sales decreased approximately $2.7 million, or 0.8%, to $323.3 million during the twelve months ended December 31, 2018, as compared to $326.0 million during the twelve months ended December 31, 2017, primarily due to decreases in the automotive OES channel of $7.4 million, the aftermarket channel of $5.3 million and the non-automotive business of $3.0 million. The aftermarket channel net sales decrease was primarily related to constrained product availability as a result of our production shift to our Braşov, Romania production facility,

along with customer rationalization efforts. Favorable currency exchange impacts of approximately $14.1 million resulted from the euro strengthening during the year in relation to the U.S. dollar. The sales decreases noted above were offset by the automotive OEM channel, which increased $11.9 million, primarily due to higher volume with existing customers as a result of an increase in OEM sales demand throughout 2018.

Horizon Europe Africa's gross profit decreased approximately $17.2 million to $29.6 million, or 9.1% of net sales during the twelve months ended December 31, 2018, from approximately $46.8 million, or 14.3% of net sales, during the twelve months ended December 31, 2017. Gross profit margin was negatively impacted by higher material costs of $13.4 million primarily related to the revenue mix as OEM business increased significantly, and aftermarket sales decreased, as well as increased commodity costs in advance of pricing actions, performance inefficiencies and higher supply chain costs related to the production realignment and rationalization. Further, $1.5 million of additional costs were incurred in 2018 related to the restructuring and realignment of

Table of Contents

the business footprint in Europe. In addition, the performance and supply chain inefficiencies in the operating segment resulted in $3.4 million of additional freight out costs year-over-year. The additional costs incurred were offset by $0.9 million of favorable currency exchange impacts and lower labor costs.

Horizon Europe Africa's selling, general and administrative expenses increased approximately $1.8 million to $49.5 million, or 15.3% of net sales during the twelve months ended December 31, 2018, as compared to $47.8 million, or 14.6% of net sales during the twelve months ended December 31, 2017. The increase was primarily related to unfavorable foreign currency exchange of approximately $1.8 million which resulted from the euro strengthening during the year in relation to the U.S. dollar coupled with higher amortization costs, offset by lower personnel and certain operating segment support costs.

Horizon Europe Africa's operating loss increased approximately $146.8 million to an operating loss of $148.6 million, or 46.0% of net sales, during the twelve months ended December 31, 2018, from an operating loss of $1.8 million, or 0.5% of net sales during the twelve months ended December 31, 2017. The operating loss was primarily due to the impairment of goodwill and trademark and trade names of approximately $126.8 million. The remainder of the decrease is due to unfavorable commodity costs which have not been fully recovered through pricing actions, manufacturing and distribution inefficiencies and higher freight costs, as well as the aforementioned unfavorable currency translation impacts.

Horizon Asia-Pacific. Net sales increased approximately $8.7 million, or 6.8%, to $136.0 million during the twelve months ended December 31, 2018, as compared to $127.3 million during the twelve months ended December 31, 2017. A regional bolt-on acquisition completed in the third quarter of 2017 contributed an increase of $8.3 million in net sales due to having a full year of sales in 2018 from the acquired entity coupled with increased volumes in the automotive OES channel. The net sales increase was offset by unfavorable currency exchange impacts of approximately $2.1 million in the operating segment.

Horizon Asia Pacific's gross profit increased approximately $1.6 million to $34.4 million, or 25.3% of net sales during the twelve months ended December 31, 2018, from approximately $32.9 million, or 25.8% of net sales, during the twelve months ended December 31, 2017. The improvement in gross profit was primarily driven by the increased sales volume from the aforementioned acquisition and automotive OES channel volumes, offset by unfavorable channel mix.

Selling, general and administrative expenses remained relatively consistent at approximately $0.3 million to $14.2 million, or 10.5% of net sales during the twelve months ended December 31, 2018, as compared to $13.9 million, or 10.9% of net sales, during the twelve months ended December 31, 2017. Although the costs remained consistent year-over-year, the operating segment realized cost savings efficiencies through lower support costs as a percentage of net sales.

Horizon Asia Pacific's operating profit increased approximately $1.5 million to $20.3 million, or 14.9% of net sales, during the twelve months ended December 31, 2018, from $18.7 million, or 14.7% of net sales during the twelve months ended December 31, 2017, primarily due to increased volumes from the bolt-on acquisition and automotive OES volumes, as well as SG&A cost savings efficiencies.

Corporate Expenses. Corporate expenses included in operating profit (loss) increased approximately $8.9 million to $35.2 million during the twelve months ended December 31, 2018, as compared to $26.3 million during the twelve months ended December 31, 2017. The increase year over year is primarily attributable to approximately $10.7 million of expenses related to the termination of the Brink Group acquisition, which includes a net $5.5 million break fee. In addition, the Company incurred $4.0 million of severance costs during the year associated with the restructuring of the executive management team. The additional costs incurred were partially offset by $2.6 million of costs incurred in 2017, related to the integration of the Westfalia Group, which did not reoccur in 2018. In addition, the cost increases were offset by personnel costs savings primarily a result of $2.3 million of lower incentive compensation and $1.2 million of other compensation related costs.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

Overall, net sales increased approximately $243.8 million, or approximately 37.6%, to $893.0 million in 2017, as compared to $649.2 million in 2016. Net sales within our Horizon Europe Africa operating segment increased $221.9 million primarily driven by our fourth quarter 2016 acquisition of the Westfalia Group, which added net sales of $208.5 million to Horizon Europe Africa's results in 2017 compared to 2016. Net sales within our Horizon Asia Pacific operating segment increased by $25.4 million due to a regional bolt-on acquisition and net sales to a new customer. Net sales within our Horizon Americas operating segment decreased $3.5 million driven by decreases in the retail and aftermarket channels, which were partially offset by an increase within the automotive OE, e-commerce, and industrial channels.

Table of Contents

Gross profit margin (gross profit as a percentage of net sales) approximated 23.2% and 24.7% in 2017 and 2016, respectively. The overall decline in gross profit margin is the result of a shift in concentration of net sales from our higher margin Horizon Americas operating segment to our lower margin Horizon Europe Africa operating segment. Further, gross profit margin declined in our Horizon Americas operating segment as the negative impacts of unfavorable commodity prices more than offset the lower costs and cost savings realized in 2017 from the consolidation of our manufacturing facilities that occurred in 2016. Gross profit margin improved in our Horizon Asia Pacific operating segment as a result of increased sales volumes and productivity initiatives. An increase in gross profit margin in our Horizon Europe Africa operating segment is primarily due to the acquisition of the Westfalia Group.

Operating profit margin (operating profit as a percentage of net sales) approximated 3.9% and 1.0% in 2017 and 2016, respectively. Operating profit increased $28.5 million, or 451.7%, to $34.8 million in 2017 as compared to $6.3 million in 2016, as a result of an operating profit margin improvement across all of our operating segments. Operating profit margin increased in our Horizon Europe Africa operating segment driven by the Westfalia Group. Operating profit margin was positively impacted by $8.4 million of lower expenses compared to 2016 related to the impairment of intangible assets in our Horizon Americas and Horizon Europe-Africa operating segments. Increased volumes and operational improvements in our Horizon Asia Pacific operating segment also favorably impacted operating profit margin. Further contributing to the increase in operating profit margin was a decrease in corporate expenses primarily due to lower costs associated with the Westfalia Group acquisition.

Interest expense increased approximately $2.3 million, to $22.4 million in 2017, as compared to $20.1 million in 2016, primarily due to additional interest and non-cash amortization of debt discount and issuance costs related our Convertible Notes (as defined below) issued in early 2017.

Other expense, net remained relatively flat at $2.7 million in 2017 compared to $2.6 million in 2016.

The effective income tax rate for 2017 and 2016 was 195.8% and 22.8%, respectively. The 2017 Tax Cuts and Jobs Act (the “Act”) created an $11.9 million tax charge that was the main driver of change in effective tax rate. This amount largely reflects transition tax but also includes other provisions of the Act applicable to the Company. Two other main factors influenced both the 2017 and 2016 effective tax rates. First, nondeductible transaction costs associated with foreign acquisitions resulted in additional tax expense of $1.6 million and $2.7 million during December 31, 2017 and 2016, respectively. Second, income tax benefits associated with the release of certain unrecognized tax positions were recognized in 2017 and 2016 for approximately $4.0 million and $1.3 million, respectively.

Net loss decreased approximately $7.9 million to a net loss of $4.8 million in 2017, from a net loss of $12.7 million in 2016. The improvement was primarily the result of a $28.5 million increase in operating profit, partially offset by a $2.3 million increase in interest expense, a $4.6 million loss on extinguishment of debt due to a prepayment made on our Term B Loan (as defined below), and by a $13.5 million increase in income tax expense.

See below for a discussion of operating results by operating segment.

Horizon Americas. Net sales decreased approximately $3.5 million, or 0.8%, to $439.7 million in 2017, as compared to $443.2 million in 2016. Net sales in our retail channel decreased approximately $14.5 million primarily due to point of sale weakness and reductions in inventory levels at our mass merchant retail customers, as well as the sale of our Broom and Brush product line during the fourth quarter of 2017. Further contributing to a net sales shortfall in the channel were stock take-outs by retailers, as well as delivery delays during the fourth quarter of 2017 as we transitioned to a new distribution facility. Net sales in our aftermarket channel decreased by approximately $1.8 million primarily due to challenges faced during the integration of our ERP system in early 2017, which were partially offset by increased sales with our warehouse distribution partners. Partially offsetting these decreases were increases in our automotive OE, e-commerce, and industrial channels. Net sales in our automotive OE channel increased approximately $4.2 million due to increased volumes on existing programs with major customers, partially offset by higher volumes in 2016 due to the launch of a new program with another major customer that did not reoccur. Net sales in our e-commerce channel increased by approximately $4.2 million as higher demand as we believe the way consumers do business appears to be evolving to online research and purchasing. Partially offsetting this increase was

reduced sales to certain customers who did not maintain channel pricing discipline. Net sales in our industrial channel increased approximately $3.9 million as a result of increased demand from trailer manufacturers and increased production levels. The remainder of the change is due to favorable currency exchange as the Brazilian real strengthened in relation to the U.S. dollar.

Table of Contents

Horizon Americas' gross profit decreased approximately $3.3 million to $128.0 million, or 29.1% of net sales, in 2017, from approximately $131.3 million, or 29.6% of net sales, in 2016. Negatively impacting gross profit margin was approximately $6.0 million of unfavorable commodity prices and freight costs and approximately $0.3 million of costs associated with upgrading a paintline in our plant in Mexico. Partially offsetting these decreases was approximately $3.3 million of lower costs due to the consolidation of our manufacturing facilities during 2016 that did not reoccur in 2017. The remainder of the change is a result of lower sales levels and unfavorable currency exchange.

Selling, general and administrative expenses decreased approximately $2.8 million to $83.7 million, or 19.0% of net sales, in 2017, as compared to $86.5 million, or 19.5% of net sales, in 2016. Approximately $3.4 million of the decrease is due to actions to reduce people costs and approximately $1.5 million of the decrease is due to lower legal costs as a result of an award settlement that was received in the fourth quarter of 2017. These decreases were partially offset by approximately $1.7 million of costs associated with a project to optimize our distribution footprint and unfavorable currency exchange.

Horizon Americas' operating profit increased approximately $5.4 million to $44.1 million, or 10.0% of net sales, in 2017, from $38.7 million, or 8.7% of net sales, in 2016. Operating profit increased primarily due to approximately $6.0 million of lower expense related to the impairment of intangible assets during 2016. Partially offsetting this decrease were unfavorable commodity prices, higher freight costs, and lower selling, general and administrative expenses.

Horizon Europe Africa. Net sales increased approximately $221.9 million, or 213.2%, to $326.0 million in 2017, as compared to $104.1 million in 2016, primarily due to the Westfalia Group, acquired in the fourth quarter of 2016, which added approximatively $208.5 million in net sales compared to 2016. The remainder of the change is primarily due to favorable currency exchange as the strengthening of the euro more than offset the weakening of the British pound in relation to the U.S. dollar.

Horizon Europe Africa's gross profit increased approximately $40.2 million to $46.8 million, or 14.3% of net sales in 2017, from approximately $6.6 million, or 6.3% of net sales, in 2016, driven by the Westfalia Group acquisition. Gross profit margin was negatively impacted by $2.7 million due to restructuring costs and decreased productivity related to the closure of our manufacturing facility in the United Kingdom.

Horizon Europe Africa's selling, general and administrative expenses increased approximately $30.6 million to $47.8 million, or 14.6% of net sales in 2017, as compared to $17.2 million, or 16.5% of net sales in 2016. Selling, general and administrative expenses increased by approximately $23.6 million attributable to the results of the Westfalia Group, which included approximately $6.4 million in incremental depreciation and amortization related to purchase accounting and $3.0 million of higher transaction-related expenditures, including professional fees and severance, compared to 2016. Further negatively impacting selling, general, and administrative expenses were increased costs associated with establishing a management structure in the region.

Horizon Europe Africa's operating loss increased approximately $11.5 million to an operating loss of $1.8 million, or 0.5% of net sales, in 2017, from an operating loss of $13.3 million, or 12.8% of net sales in 2016, primarily due to the inclusion of the Westfalia Group in results for the full year of 2017 compared to the fourth quarter of 2016. Further, operating loss decreased due to approximately $2.4 million of lower expense related to the impairment of intangible assets during 2016. These decreases to operating loss were partially offset by increased costs associated with establishing a management structure in the region.

Horizon Asia Pacific. Net sales increased approximately $25.4 million, or 25.0%, to $127.3 million in 2017, as compared to $101.9 million in 2016. A regional bolt-on acquisition, completed in the third quarter of 2017, contributed an increase of $10.8 million in net sales. The increase in net sales in our industrial channel of approximately $8.1 million is primarily due to a full year of sales from a new product launched in the fourth quarter of 2016 with a new customer. Net sales in our automotive OE channel, exclusive of this acquisition, increased $1.6 million due to increased volumes on existing programs in our businesses in Australia and Thailand. Net sales in our aftermarket channel increased $1.3 million as a result of strong demand within the region. The remainder of the increase is a result of favorable currency exchange as the Australian dollar, Thai baht, and New Zealand dollar

strengthened in relation to the U.S. dollar.

Horizon Asia Pacific's gross profit increased approximately $10.4 million to $32.9 million, or 25.8% of net sales in 2017, from approximately $22.5 million, or 22.1% of net sales, in 2016. The improvement in gross profit was driven by the increased sales volumes mentioned above. Gross profit margin was further positively impacted by the results of productivity initiatives in our Australian business and efficiencies realized in Thailand due to restructuring of operations completed in the second quarter of 2017.

Table of Contents

Horizon Asia Pacific's selling, general and administrative expenses increased approximately $2.7 million to $13.9 million, or 10.9% of net sales in 2017, as compared to $11.2 million, or 11.0% of net sales, in 2016. The increase in selling, general and administrative expenses is primarily due to increased people costs in support of growth initiatives and operational restructuring costs. Additionally, selling, general and administrative expenses was increased by acquisition-related costs of $1.2 million. Further negatively impacting selling, general and administrative expenses was $0.4 million in unfavorable currency exchange.

Horizon Asia Pacific's operating profit increased approximately $7.5 million to $18.7 million, or 14.7% of net sales, in 2017, from $11.2 million, or 11.0% of net sales in 2016, primarily due to increased volumes and operational improvements across the region.

Corporate Expenses. Corporate expenses decreased approximately $4.0 million to $26.3 million in 2017, as compared to $30.3 million in 2016. Corporate expenses decreased approximately $6.5 million due to lower expenses related to the acquisition of Westfalia Group, partially offset by $1.9 million of expenses related to completed or announced acquisitions in 2017. The remainder of the change was due to increased professional fees for various human resource, information technology, and compliance initiatives.

Liquidity and Capital Resources

Our capital and working capital requirements are funded through a combination of cash flows from operations, cash on hand and various borrowings and factoring arrangements described below, including our asset-based revolving credit facility ("ABL Facility"). We utilize intercompany loans and equity contributions to fund our worldwide operations. See Note 10, "Long-term Debt" included in Item 8, "Financial Statements and Supplementary Data," within this Annual Report on Form 10-K. As of December 31, 2018 and 2017, there was $26.1 million and $23.7 million, respectively, of cash held at foreign subsidiaries. There may be country specific regulations which may restrict or result in increased costs in the repatriation of these funds.

Based on our current and anticipated levels of operations and the condition in our markets and industry, we believe that our cash on hand, cash flow from operations and availability under our ABL Facility will enable us to meet our working capital, capital expenditures, debt service and other funding requirements. Our ability to fund our working capital needs, debt payments and other obligations, and to comply with financial covenants, including borrowing base limitations under our ABL Facility, depends on our future operating performance and cash flow and many factors outside of our control, including the costs of raw materials, the state of the automotive accessories market and financial and economic conditions and other factors. Any future acquisitions, joint ventures or other similar transactions will likely require additional capital and there can be no assurance that any such capital will be available to us on acceptable terms, if at all.

In 2018, the Company experienced a combination of increased distribution costs and constrained shipments from the Americas distribution network primarily resulting from the start-up of its new Kansas City, Kansas aftermarket and retail distribution center. Since amending our Term B Loan on July 31, 2018, Europe-Africa has continued to underperform. Due to these factors, as well as costs associated with remediating these factors, the Company has increased draws on its ABL and experienced a decline in Bank EBITDA. In addition, total debt is higher than our projections at the time we entered into the Fourth Amendment to the Term B Loan. However, as further detailed below, because of the Sixth Amendment to the Term B Loan, the Company is in compliance with all of its financial covenants as of the period ended December 31, 2018. Refer to Note 22, "Subsequent Events," in Item 8, "Financial Statements and Supplementary Data," included within this Annual Report on Form 10-K for additional information.

On February 1, 2017, the Company completed an underwritten public offering of 4.6 million shares of common stock, which included the exercise in full by the underwriters of their option to purchase 0.6 million shares of common stock, at a public offering price of $18.50 per share (the "Common Stock Offering"). Proceeds from the Common Stock Offering were approximately $79.9 million, net of underwriting discounts, commissions, and offering-related transaction costs.

Concurrently, the Company completed an underwritten public offering of $125.0 million aggregate principal amount of Convertible Notes. The Convertible Notes mature on July 1, 2022 unless earlier converted in accordance with the

terms prior to such date, and bears interest at a rate of 2.75% per annum. We used net proceeds from the Convertible Notes offering, along with proceeds from the issuance of common stock, to prepay $177.0 million of the Term B Loan. Additionally, on March 31, 2017, we entered into the Third Amendment to the Term B Loan. This amendment allowed us to repay the existing Original Term B Loan and Incremental Term Loans and provided for the Replacement Term Loan, which reduced the required principal payments by $2.7 million per quarter and reduced the interest rate by 1.5% per annum. Furthermore, on July 31, 2018, the Company entered into the Fourth Amendment to the Term B Loan. This amendment provided for additional borrowing of $50.0 million that were used to pay outstanding balances under the ABL Loan Agreement, pay fees and expenses in connection with the amendment and for general corporate purposes. Refer to Note 10, “Long-term Debt” included in Item 8, “Financial Statements and Supplementary Data,” within this Annual Report on Form 10-K for additional information.

Table of Contents

Cash Flows - Operating Activities

Net cash used for operating activities in 2018 was approximately $70.5 million, as compared to a net source of cash of $14.2 million in 2017. In 2018, the Company used $41.3 million in cash flows, based on the reported net loss of $204.9 million and after considering the effects of non-cash items related to gains and losses on dispositions of property and equipment, depreciation, amortization, goodwill and intangible asset impairment, stock compensation, changes in deferred income taxes, amortization of original issuance discount and debt issuance costs, and other, net. In 2017, the Company generated $36.5 million based on the reported net loss of $4.8 million and after considering the effects of similar non-cash items.

Changes in operating assets and liabilities used approximately $29.3 million and $22.3 million of cash in 2018 and 2017, respectively. Increases in accounts receivable resulted in a net use of cash of $21.9 million and $9.5 million in 2018 and 2017, respectively. The increase in accounts receivable in 2018 was primarily driven by the recall insurance recovery related to potential claims related to product sold by Horizon Europe-Africa arising from potentially faulty components provided by a supplier. The increase was also driven by pull ahead of collection efforts in 2017 that was not repeated in 2018, in addition to a larger portion of the sales growth being in our Horizon Americas segment, as opposed to growth in 2017 in our Horizon Europe-Africa segment which factors a large portion of their receivables. The increase in accounts receivable in 2017 was primarily driven by an increase in tax-related receivables.

Changes in inventory resulted in a net use of cash of $7.5 million and $17.7 million in 2018 and 2017, respectively. The increase in inventory in 2018 is due to the increased material costs in addition to a buildup in anticipation of meeting Q1 2019 sales demand. The increase in inventory in 2017 was primarily due to sales shortfall in our Americas operating segment in the fourth quarter driven by a system stock take-out by our retail customers and delivery delays related to the transition to a new distribution center.

Changes in prepaid expenses and other assets resulted in a net source of cash of $6.9 million and $1.4 million in 2018 and 2017, respectively. The decrease in prepaid expenses and other assets in 2018 was primarily due to a change in the timing of customer payments and a reduction of tooling projects. The decrease in prepaid expenses and other assets in 2017 was primarily due to a change in the timing of payments as certain large contracts were renewed late in 2016.

Changes in accounts payable and accrued liabilities resulted in a use of cash of $6.8 million in 2018, as compared to a net source of cash of approximately $3.5 million in 2017. The decrease in accounts payable and accrued liabilities in 2018 was primarily related to payments made to vendors with funding from the Term B Loan. The increase in accounts payable and accrued liabilities in 2017 was primarily due to the timing of payments made to suppliers, mix of vendors and related terms.

Cash Flows - Investing Activities

Net cash used for investing activities in 2018 was approximately $13.7 million, as compared to $40.7 million in 2017. During 2018, we invested approximately $13.9 million in capital expenditures, as we have continued our investment in growth, capacity and productivity-related capital projects. During 2017, we acquired Best Bars for total cash consideration paid of $19.8 million. In addition, we invested approximately $27.3 million in capital expenditures, as we have continued our investment in growth, capacity and productivity-related capital projects. Cash received from the disposition of assets was approximately $6.4 million in 2017 and included $4.3 million net cash received from the sale of our Broom and Brush product line.

Cash Flows - Financing Activities

Net cash provided by financing activities was approximately $82.4 million and $3.7 million in 2018 and 2017, respectively. During 2018, proceeds from borrowings on our Term B Loan were $45.4 million, net of issuance costs; net borrowings from our ABL Facility totaled $51.6 million, while we used cash of $9.1 million for repayments on our Term B Loan. During 2017, we received proceeds of $121.1 million from the issuance of our Convertible Notes, net of issuance costs; $79.9 million from the issuance of common stock, net of offering costs; $20.9 million from the issuance of Warrants; and our net borrowing from our ABL Facility totaled $10.0 million. We used cash of approximately $189.8 million for repayments on our Term B Loan, $29.7 million for payments on Convertible Note Hedges, net of issuance costs, and approximately $10.0 million to repurchase shares as part of our Share Repurchase

Program.

Factoring Arrangements

The Company has factoring arrangements with financial institutions to sell certain accounts receivable under certain recourse and non-recourse agreements. Total receivables sold under the factoring arrangements was approximately $242.8 million and $257.5 million for the years ended December 31, 2018 and December 31, 2017, respectively. We utilize factoring arrangements as part of our financing for working capital. The costs of participating in these arrangements are immaterial to our results. Refer to Note

Table of Contents

3, “Summary of Significant Accounting Policies” in Item 8, “Financial Statements and Supplementary Data,” included within this Annual Report on Form 10-K for additional information.

Our Debt and Other Commitments

We and certain of our subsidiaries are party to the ABL Facility, an asset-based revolving credit facility that provides for $99.0 million of funding on a revolving basis, subject to borrowing base availability. The ABL Facility matures in June 2020 and bears interest on outstanding balances at variable rates as outlined in the credit agreement. On June 30, 2015, we entered into a term loan agreement (the “Original Term B Loan”) under which we borrowed an aggregate amount of $200.0 million. On September 19, 2016, we entered into the First Amendment to the Original Term B Loan (the “Term Loan Amendment”) which provided for incremental commitments in an aggregate principal amount of $152.0 million (the “Incremental Term Loans”). On March 31, 2017, we entered into the Third Amendment to the Original Term B Loan (the “Replacement Term Loan”) which amended the Term B Loan to provide for a new term loan commitment. The proceeds from the Replacement Term Loan were used to repay in full the outstanding principal of the Term B Loan. As part of the amendment, the interest rate was reduced by 1.5% per annum and the quarterly principal payments required under the Original Term B Loan and the Term Loan Amendment of $4.6 million in total were reduced to an aggregate principal payment of $2.6 million. On and after the Replacement Term Loan Amendment effective date, each reference to “Term B Loan” is deemed to be a reference to the Replacement Term Loan.

On July 31, 2018, the Company entered into the Fourth Amendment to the Term B Loan. The 2018 Incremental Term Loan provided for additional borrowings of $50.0 million that were used to pay outstanding balances under the ABL Loan Agreement, pay fees and expenses in connection with the amendment and for general corporate purposes. Borrowings under the 2018 Incremental Term Loan bear interest, at the Company’s election, at either (i) the Base Rate plus 5.0% per annum, or (ii) LIBOR, with a 1.0% floor, plus 6.0% per annum. Principal payments required under the 2018 Incremental Term Loan are $2.6 million due each calendar quarter beginning September 2018. The Term B Loan matures in June 2021. Refer to Note 10, “Long-term Debt,” in Item 8, “Financial Statements and Supplementary Data,” included within this Annual Report on Form 10-K for additional information.

On February 1, 2017, the Company completed a public offering of 2.75% Convertible Senior Notes due 2022 (the “Convertible Notes”) in an aggregate principal amount of $125.0 million. Interest is payable on January 1 and July 1 of each year, beginning on July 1, 2017. At December 31, 2018 there was $61.6 million outstanding on the ABL Facility and $190.5 million outstanding on the Term B Loan bearing interest at 6.07%.

The agreements governing the ABL Facility and Term B Loan contain various negative and affirmative covenants and other requirements affecting us and our subsidiaries, including restrictions on incurrence of debt, liens, mergers, investments, loans, advances, guarantee obligations, acquisitions, asset dispositions, sale-leaseback transactions, hedging agreements, dividends and other restricted payments, transactions with affiliates, restrictive agreements and amendments to charters, bylaws, and other material documents. The ABL Facility does not include any financial maintenance covenants other than a springing minimum fixed charge coverage ratio of at least 1.00 to 1.00 on a trailing twelve-month basis, which will be tested only upon the occurrence of an event of default or certain other conditions as specified in the agreement. The Term B Loan contains customary negative covenants, and also contains a financial maintenance covenant which requires the Company to maintain a net leverage ratio not exceeding 7.00 to 1.00 through the fiscal quarter ending December 31, 2018, 6.50 to 1.00 through the fiscal quarter ending March 31, 2019; 5.00 to 1.00 through the fiscal quarter ended June 30, 2019; 4.75 to 1.00 through the fiscal quarter ended September 30, 2019; and thereafter, 4.50 to 1.00. At December 31, 2018, due to the factors mentioned above, we did not comply with the 7.00 to 1.00 net leverage ratio covenant in our 2018 Term Loan Agreement for the quarter-ending December 31, 2018, which absent an amendment or waiver, would constitute a default when reported.

Senior Term Loan Agreement

On February 20, 2019, the Company entered into a Credit Agreement (the “Senior Term Loan Agreement”) with Cortland Capital Markets Services LLC, as administrative agent and collateral agent, and the lenders party thereto. The Senior Term Loan Agreement provided for a short-term loan facility in the aggregate principal amount of $10.0

million, all of which was borrowed by the Company. Certain of the lenders under the Company's Term Loan Agreement, are the lenders under the Senior Term Loan Agreement.

The Senior Term Loan Agreement required the Company to obtain additional financing in amounts and on terms acceptable to the lenders. Borrowings under the Senior Term Loan Agreement originally matured on March 7, 2019, but were extended to March 15, 2019. The Senior Term Loan Agreement was repaid on March 15, 2019, in conjunction with the additional financing further detailed below.

Table of Contents

Second Lien Term Loan Agreement

On March 15, 2019, the Company entered into a Credit Agreement (the "Second Lien Term Loan Agreement") with Cortland Capital Markets Services LLC, as administrative agent and collateral agent, and certain funds managed by Corre Partners Management LLC and any assignees thereof as the lenders. The Second Lien Term Loan Agreement provides for a term loan facility in the aggregate principal amount of $51.0 million and matures on September 30, 2021. The Second Lien Term Loan Agreement is secured by a second lien on substantially the same collateral as the Term B Loan, bears an interest rate of LIBOR plus 11.5% payable in kind through an increase in principal balance, and is subject to various affirmative and negative covenants including a secured net leverage ratio tested quarterly, commencing with the fiscal quarter ending on December 31, 2019, which shall not exceed (x) 6.75 to 1.00 as of the last day of any fiscal quarter ending on or prior to June 30, 2020 and (y) 5.25 to 1.00 as of the last day of any fiscal quarter ending on or after September 30, 2020.

Pursuant to the Second Lien Term Loan Agreement, the Company will issue 6.25 million detachable warrants to purchase common stock of the Company, which can be exercised on a cashless basis with a five-year term with an exercise price of $1.50 per share. A portion of the warrants will not be issued unless approved by a shareholder vote, and 18% percent interest paid in kind preferred stock will be issued in the interim and will be cancelled and converted into warrants upon receipt of shareholder approval.

In connection with the entry into the Second Lien Term Loan Agreement, we agreed to appoint four new members to our board of directors within seven business days of closing, and that the four new members of our board will constitute a majority of our board of directors.

The proceeds, net of applicable fees, of the Second Lien Term Loan Agreement were used to repay the Senior Term Loan Agreement and to provide additional liquidity and working capital for the Company.

Term Loan Agreement

On February 20, 2019, the Company entered into the Fifth Amendment to Credit Agreement (the "Fifth Term Amendment") to amend the Term Loan Agreement to permit the Company to enter into the Senior Term Loan Agreement and tightened certain indebtedness, asset sale, investment and restricted payment baskets.

On March 15, 2019, the Company entered into the Sixth Amendment to Credit Agreement (the "Sixth Term Amendment") to amend the Term Loan Agreement to permit the Company to enter into the Second Lien Term Loan Agreement, which amended certain financial covenants to provide for relief based on the Company's 2018 results and 2019 budget, and to make certain other affirmative and negative covenants more restrictive.

The prior net leverage covenant ratio was eliminated and replaced with a first lien leverage covenant starting with the 12-month period ending September 2019 as follows:

September 30, 2019: 8.25:1.00
December 31, 2019: 6.25:1.00
March 31, 2020: 5.50:1.00
June 30, 2020: 5.00:1.00
September 30, 2020 and each fiscal quarter ending thereafter: 4.75:1.00

The Sixth Term Amendment also adds a fixed charge coverage covenant starting with fiscal quarter ending March 31, 2020, a minimum liquidity covenant of $15.0 million starting March 31, 2019, and a maximum capital expenditure covenant of $15.0 million for 2019 and $25.0 million annually thereafter. The interest rate on the Term Loan Agreement is also amended to add 3.0% paid in kind interest in addition to the existing cash pay interest.

Because of the Sixth Term Amendment, the Company is in compliance with all of its financial covenants as of the period ending December 31, 2018.

ABL Facility

On February 20, 2019, the Company entered into the Fourth Amendment to amend the ABL Loan Agreement (the "Fourth ABL Amendment"). The Fourth ABL Amendment, among other modifications, permitted the Company to enter into the Senior Term

37

Table of Contents

Loan Agreement and make certain indebtedness, asset sale, investment and restricted payment baskets covenants more restrictive.

On March 7, 2019, the Company entered into the Fifth Amendment to amend the ABL Loan Agreement (the "Fifth ABL Amendment"). The Fifth ABL Amendment allowed for the extension of the Senior Term Loan Agreement to March 15, 2019.

On March 15, 2019, the Company entered into the Sixth Amendment to amend the ABL Loan Agreement (the "Sixth ABL Amendment"). The Sixth ABL Amendment allowed for the Company to enter into the Second Lien Term Loan Agreement and provided for certain other modifications of the ABL Loan Agreement. In particular, the ABL Loan Agreement was modified to (a) increase the interest rate by 1%, (b) reduce the total facility size to $90.0 million, and to limit ability to add debt in the future.

Covenant and Liquidity Matters

As a result of the above series of modifications and additional debt facilities and our current forecast through March 2020, the Company believes it has sufficient liquidity to operate its business. In addition to meeting its working capital needs, the Sixth Term Amendment requires the Company to raise a minimum of $100.0 million through a combination of asset sales, junior debt, or equity raise to make a contractually obligated prepayment of the Term Loan on or before March 31, 2020. We are currently evaluating all strategic alternatives related to the options to raise the funds necessary to comply with this contractual prepayment obligation. If we cannot generate the required cash, we may not be able to make the necessary payments required under our debt as of March 31, 2020, which would result in an event of default. Such a default, if not cured, would allow the lenders to accelerate the maturity of the debt, making it due and payable at that time.

The Company estimates it incurred approximately $10.0 million of debt issuance costs and amendment fees associated with the above transactions. The transactions will be accounted for in the first quarter of 2019. Refer to Note 10, "Long-Term Debt," in Item 8, "Financial Statements and Supplementary Data," included within this Annual Report on Form 10-K for additional information.

On July 3, 2017, the Company's Australian subsidiaries entered into an agreement (collectively, the "Australia Loans") to provide for $18.3 million of funding on a revolving basis as of December 31, 2018. The Australia Loans include two sub-facilities: (i) Facility A with a borrowing capacity of $18.3 million, that matures on July 3, 2020, and is subject to interest at Bank Bill Swap rate plus a margin determined based on the most recent net leverage ratio; and (ii) Facility B, which was canceled on November 1, 2018. Borrowings under this arrangement are subject to financial and reporting covenants. Financial covenants, which are calculated based on the financial results of the subsidiaries covered by the Australia Loans, include maintaining a net leverage ratio not exceeding 2.50 to 1.00 during the period commencing on the date of the agreement and ending on the first anniversary of the date of the agreement; and 2.00 to 1.00 thereafter; working capital coverage ratio (working capital over total debt) greater than 1.75 to 1.00 and a gearing ratio (senior debt to senior debt plus equity) not exceeding 50%. As of December 31, 2018, we were in compliance with all covenants.

We are subject to variable interest rates on our Term B Loan and ABL Facility. At December 31, 2018, 1-Month LIBOR and 3-Month LIBOR approximated 2.50% and 2.81%, respectively.

In addition to our long-term debt, we have other cash commitments related to leases. We account for these lease transactions as operating leases and annual rent expense related thereto approximated $21.8 million for the year ended December 31, 2018. We expect to continue to utilize leasing as a financing strategy in the future to meet capital expenditure needs and to reduce debt levels.

Contractual Obligations

Under various agreements, we are obligated to make future cash payments in fixed amounts.

The following table summarizes our contractual obligations over various future periods related to these items as of December 31, 2018:

Table of Contents

	Payments Due by Periods				
	Total	Less than One Year	1 - 3 Years	3 - 5 Years	More than 5 Years
	(dollars in thousands)				
ABL Facility	$61,570	$—	$61,570	$—	$—
Term B Loan	190,520	10,410	180,110	—	—
Convertible Notes	125,000	—	—	125,000	—
Bank facilities	16,020	2,260	3,430	—	10,330
Operating and capital lease obligations	71,980	17,000	29,160	12,730	13,090
Interest obligations	46,480	17,690	26,770	2,020	—
Deferred purchase price	3,430	3,400	30	—	—
Total contractual obligations	$515,000	$50,760	$301,070	$139,750	$23,420

The liability related to uncertain tax positions has been excluded from the contractual obligations table because a reasonable estimate of the timing and amount of cash flows from future tax settlements cannot be determined. For additional information, refer to Note 19, “Income Taxes,” included in Item 8, “Financial Statements and Supplementary Data,” within this Annual Report on Form 10-K.

Credit Rating

We and certain of our outstanding debt obligations are rated by Standard & Poor’s and Moody’s. On November 15, 2018, Moody’s issued a rating of Caa1 for our $210 million senior secured term loan and a rating of Caa2 for our corporate family rating. Moody’s also assigned the Company a negative outlook. On November 12, 2018, Standard & Poor’s issued a rating of CCC for our $210 million senior secured term loan, a rating of CCC for our corporate credit rating and a rating of CCC- for our Convertible Notes. Standard & Poor’s also assigned the Company a negative outlook. The Company has not received an updated rating from Moody’s or Standard & Poor’s since November 2018. If our credit ratings were to decline, our ability to access certain financial markets may become limited, our cost of borrowings may increase, the perception of us in the view of our customers, suppliers and security holders may worsen and as a result, we may be adversely affected.

Outlook

Our global business remains susceptible to economic conditions that could adversely affect our results. In the near-term, the economies that most significantly affect our demand, including the United States, European Union, and Australia, are expected to continue to grow. The impact of tax reform in the U.S. should continue to drive growth in the near-term; however, the longer-term implications of tax reform on economic growth are not yet fully understood. We have been impacted by recently enacted tariffs on imports from China during 2018 and have generally been able to recover these incremental costs through pricing actions. The impact of potential increases in these tariffs during 2019 is uncertain. If geopolitical tensions, particularly in East Asia, escalate, it may affect global consumer sentiment affecting the expected economic growth in the near-term.

Our 2018 financial results did not meet our expectations. We experienced significant performance issues primarily driven by startup inefficiencies in our new Kansas City distribution center in the Americas as we shifted significant aftermarket and retail volumes to this facility, as well as manufacturing inefficiencies in our Reynosa, Mexico manufacturing facility and increased costs and decreased volumes in our aftermarket and retail channels in the Americas. In addition, Europe-Africa experienced performance inefficiencies, higher supply chain and logistics costs related to the production realignment and rationalization as we shifted production to our low-cost manufacturing facility in Romania. In response to these challenges, we made organizational changes, including appointing a new CEO and executive management team to lead Europe-Africa. As a company, we identified additional cost reduction projects, including the closure of two non-manufacturing facilities in our Americas segment during the year, as well as continuing to focus on moving our global manufacturing capabilities to lower cost countries to realize cost savings

and operational efficiencies.

Since amending our Term B Loan on July 31, 2018, the Americas and Europe-Africa segments have continued to underperform. Due to these factors as well as costs associated with remediating these factors, the Company has increased draws on its ABL and experienced a decline in Bank EBITDA. In addition, total debt is expected to be higher than our projections at the time we entered into the Fourth Amendment to the Term B Loan. However, as further detailed above, because of the Sixth Term Amendment to

Table of Contents

the Term B Loan, the Company is in compliance with all of its financial covenants as of the period ended December 31, 2018. Refer to Note 22, “Subsequent Events,” in Item 8, “Financial Statements and Supplementary Data,” included within this Annual Report on Form 10-K for additional information.

We believe the action plan we publicly communicated is substantially complete with respect to the Americas segment and are poised to effectively meet demand during the 2019 peak summer season. While we expect the new leadership in Europe-Africa to enhance the focus on operational improvements, progress is expected to take longer to realize in this segment. In the short-term, the costs associated with executing these initiatives, including severance, unrecoverable lease obligations, professional service fees and other incurred costs, may continue to affect our results and cash flows.

We believe the unique global footprint we enjoy in our market space will benefit us as our OE customers continue to demonstrate a preference for stronger relationships with few suppliers. We believe that our strong brand positions, portfolio of product offerings, and existing customer relationships present a long-term opportunity for us and provide leverage to see balanced growth in OE and aftermarket business.

While a strong global economy offers opportunities for growth and cost leverage, we are committed to delivering on our internal projects to drive margin improvement. We believe our internal projects, if executed well, will have a positive impact on our margins in future periods.

Our strategic priorities are to stabilize the operations in the near term and improve margins, reduce our leverage, and drive top line growth.

Impact of New Accounting Standards

See Note 2, “New Accounting Pronouncements,” included in Item 8, “Financial Statements and Supplementary Data,” within this Annual Report on Form 10-K.

Critical Accounting Estimates

The following discussion of accounting policies is intended to supplement the accounting policies presented in Note 3, “Summary of Significant Accounting Policies” included in Item 8, “Financial Statements and Supplementary Data,” within this Annual Report on Form 10-K. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, our evaluation of business and macroeconomic trends, and information from other outside sources, as appropriate.

Revenue Recognition. Revenue is measured based on a consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Sales Related Accruals. Net sales are comprised of gross revenues less estimates of expected returns, trade discounts and customer allowances, which include incentives for items such as cooperative advertising agreements, volume discounts and other supply agreements in connection with various customer programs. On at least a quarterly basis, we perform detailed reviews of our sales related accruals by evaluating specific customer contractual commitments, assessing current incentive programs and other relevant information in order to assess the adequacy of the reserve. Reductions to revenue and estimated accruals are recorded in the period in which revenue is recognized.

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts to reflect management’s best estimate of probable credit losses inherent in our accounts receivable balances. Determination of the allowances requires management to exercise judgment about the timing, frequency and severity of credit losses that could materially affect the allowances for doubtful accounts and, therefore, net income. The level of the allowance is based on quantitative and qualitative factors including historical loss experience, delinquency trends, economic conditions and customer credit risk. We perform detailed reviews of our accounts receivable portfolio on at least a quarterly basis to assess the adequacy of the allowance. Over the past two years, the allowance for doubtful accounts has approximated 3.3% to 4.5% of gross accounts receivable. We do not believe that significant credit risk exists due to our diverse customer base.

40

Table of Contents

Impairment of Long-Lived Assets and Definite-Lived Intangible Assets. We review, on at least a quarterly basis, the financial performance of each business unit for indicators of impairment. In reviewing for impairment indicators, we also consider events or changes in circumstances such as business prospects, customer retention, market trends, potential product obsolescence, competitive activities and other economic factors. An impairment loss is recognized when the carrying value of an asset group exceeds the future net undiscounted cash flows expected to be generated by that asset group. The impairment loss recognized is the amount by which the carrying value of the asset group exceeds its fair value.

Goodwill and Indefinite-Lived Intangibles. We periodically review goodwill for impairment indicators. We review goodwill for impairment at the reporting unit level on an annual basis as of October 1. More frequent evaluations may be required if we experience changes in our business climate or as a result of other triggering events that take place. We perform a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount. If not, no further goodwill impairment testing is performed. If so, then the impairment analysis for goodwill is performed at the reporting unit level using a quantitative approach. Our qualitative assessment involves significant estimates, assumptions, and judgments, including, but not limited to, macroeconomic conditions, industry and market conditions, financial performance of the Company, reporting unit specific events and changes in the Company's share price.

The quantitative test is a comparison of the fair value of the reporting unit, determined using a combination of the income and market approaches, to its recorded amount. If the recorded amount exceeds the fair value, an impairment is recorded to reduce the carrying amount to fair value, but will not exceed the amount of goodwill that is recorded. When performing a quantitative goodwill test, the fair value determination consists primarily of using significant unobservable inputs (Level 3) under the fair value measurement standards. We believe the most critical assumptions and estimates in determining the estimated fair value of our reporting units include, but are not limited to, the amounts and timing of expected future cash flows which is largely dependent on expected EBITDA margins, the discount rate applied to those cash flows, and terminal growth rates. The assumptions used in determining our expected future cash flows consider various factors such as historical operating trends and long-term operating strategies and initiatives. The discount rate used by each reporting unit is based on our assumption of a prudent investor's required rate of return of assuming the risk of investing in a particular company in a specific country. The terminal growth rate reflects the sustainable operating income a reporting unit could generate in a perpetual state as a function of revenue growth, inflation and future margin expectations.

We review indefinite-lived intangible assets for impairment annually or more frequently if events or changes in circumstances indicate the assets might be impaired. Similar to the goodwill assessment described above, the Company first performs a qualitative assessment of whether it is more likely than not that an indefinite-lived intangible asset is impaired. If necessary, the Company then performs a quantitative impairment test by comparing the estimated fair value of the asset, based upon its forecasted cash flows using the relief from royalty method, to its carrying value.

For the year ended December 31, 2018 we recognized goodwill impairment charges of $124.7 million and indefinite-lived intangible impairment charges of $2.1 million. See Note 6, Goodwill and Other Intangible Assets included in Item 8, Financial Statements and Supplementary Data, within this Annual Report on Form 10-K for further information.

Income Taxes. We compute income taxes using the asset and liability method, whereby deferred income taxes using current enacted tax rates are provided for the temporary differences between the financial reporting basis and the tax basis of assets and liabilities and for operating loss and tax credit carryforwards. We determine valuation allowances based on an assessment of positive and negative evidence on a jurisdiction-by-jurisdiction basis and record a valuation allowance to reduce deferred tax assets to the amount more likely than not to be realized. To make this assessment, we evaluated historical operating results, the existence of cumulative losses in the most recent fiscal years, expectations for future pretax operating income, the time period over which our temporary differences will reverse and the implementation of feasible and prudent tax planning strategies. Recognized income tax positions are measured at the

largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We record interest and penalties related to uncertain tax positions in income tax expense.

Refer to Note 19, Income Taxes, to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for additional discussing surrounding the changes as a result of the Act.

Emerging Growth Company

The Jumpstart Our Business Startups Act of 2012, or the JOBS Act establishes a class of company called an “emerging growth company,” which generally is a company whose initial public offering was completed after December 8, 2011 and had total annual

Table of Contents

gross revenues of less than $1.07 billion during its most recently completed fiscal year. We currently qualify as an emerging growth company.

As an emerging growth company, we are eligible to take advantage of certain exemptions from various reporting requirements that are not available to public reporting companies that do not qualify for this classification, including without limitation the following:

An emerging growth company is exempt from any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and financial statements, commonly known as an "auditor discussion and analysis."

An emerging growth company is not required to hold a nonbinding advisory stockholder vote on executive compensation or any golden parachute payments not previously approved by stockholders.

An emerging growth company is not required to comply with the requirement of auditor attestation of management's assessment of internal control over financial reporting, which is required for other public reporting companies by Section 404 of the Sarbanes-Oxley Act.

An emerging growth company is eligible for reduced disclosure obligations regarding executive compensation in its periodic and annual reports, including without limitation exemption from the requirement to provide a compensation discussion and analysis describing compensation practices and procedures.

A company that is an emerging growth company is eligible for reduced financial statement disclosure in registration statements, which must include two years of audited financial statements rather than the three years of audited financial statements that are required for other public reporting companies.

For as long as we continue to be an emerging growth company, we expect that we will take advantage of the reduced disclosure obligations available to us as a result of this classification. We will remain an emerging growth company until the earlier of (i) December 31, 2020, the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement under the Securities Act; (ii) the last day of the fiscal year in which we have total annual gross revenues of $1.07 billion (subject to further adjustment for inflation) or more; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under applicable SEC rules. We expect that we will remain an emerging growth company for the foreseeable future, but cannot retain our emerging growth company status indefinitely and will no longer qualify as an emerging growth company on or before December 31, 2020.

Emerging growth companies may elect to take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to "opt out" of such extended transition period, and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for companies that are not "emerging growth companies." Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to market risk associated with fluctuations in interest rates, commodity prices, insurable risks due to property damage, employee and liability claims, and other uncertainties in the financial and credit markets, which may impact demand for our products.

We conduct business in various locations throughout the world and are subject to market risk due to changes in the value of foreign currencies. The functional currencies of our foreign subsidiaries are primarily the local currency in the country of domicile. We manage these operating activities at the local level and revenues and costs are generally denominated in local currencies; however, results of operations and assets and liabilities reported in U.S. dollars will fluctuate with changes in exchange rates between such local currencies and the U.S. dollar. A 10% change in average exchange rates versus the U.S. Dollar would have resulted in an approximate $46.8 million and $46.3 million change

to our net sales for the years ended December 31, 2018 and 2017, respectively.

We are exposed to market risk from changes in the interest rates on a significant portion of our outstanding debt. Outstanding balances under our Term B Loan, at the Company's election, bear interest at variable rates based on a margin over defined LIBOR.

Table of Contents

Based on the amount outstanding on the Term B Loan as of December 31, 2018 and 2017, a hypothetical unfavorable change of 100 basis points in the LIBOR would result in an approximate $1.9 million and $1.5 million increase, respectively, to our annual interest expense.

We use derivative financial instruments to manage our currency risks. We are also subject to interest risk as it relates to long-term debt, for which we may prospectively employ derivative instruments such as interest rate swaps to mitigate the risk of variable interest rates. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” for details about our primary market risks, and the objectives and strategies used to manage these risks. Also see Note 10, “Long-term Debt,” and Note 11, “Derivative Instruments,” included in Item 8, “Financial Statements and Supplementary Data,” within this Annual Report on Form 10-K for additional information.

Table of Contents

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and Board of Directors of Horizon Global Corporation

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Horizon Global Corporation and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), cash flows, and shareholders' equity for each of the three years in the period ended December 31, 2018 and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Emphasis of Matter - Subsequent Events
As discussed in Note 22 to the financial statements, the Company entered into a series of modifications to its existing debt and additional debt facilities.

/s/ Deloitte & Touche LLP

Detroit, Michigan
March 18, 2019
We have served as the Company's auditor since 2014

44

Table of Contents

Horizon Global Corporation
Consolidated Balance Sheets
(Dollars in thousands, except share data)

	December 31,	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$27,650	$29,570
Receivables, net of allowance for doubtful accounts of approximately $5.1 million and $3.1 million at December 31, 2018 and December 31, 2017, respectively	108,340	91,770
Inventories, net	173,690	171,500
Prepaid expenses and other current assets	9,690	10,950
Total current assets	319,370	303,790
Property and equipment, net	102,280	113,020
Goodwill	12,660	138,190
Other intangibles, net	78,050	90,230
Deferred income taxes	2,690	4,290
Other assets	6,300	11,510
Total assets	$521,350	$661,030
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings and current maturities, long-term debt	$13,860	$16,710
Accounts payable	123,130	138,730
Accrued liabilities	65,820	53,070
Total current liabilities	202,810	208,510
Long-term debt	350,650	258,880
Deferred income taxes	14,150	14,870
Other long-term liabilities	19,960	38,370
Total liabilities	587,570	520,630
Commitments and contingencies (See Notes 13 and 14)		
Shareholders' equity (deficit):		
Preferred stock $0.01 par: Authorized 100,000,000 shares; Issued and outstanding: None	—	—
Common stock, $0.01 par: Authorized 400,000,000 shares; 25,866,747 shares issued and 25,180,241 outstanding at December 31, 2018, and 25,625,571 shares issued and 24,939,065 outstanding at December 31, 2017	250	250
Paid-in capital	160,990	159,830
Treasury stock, at cost: 686,506 shares at December 31, 2018 and December 31, 2017	(10,000)	(10,000)
Accumulated deficit	(222,720)	(18,760)
Accumulated other comprehensive income	7,760	10,570
Total Horizon Global shareholders' equity (deficit)	(63,720)	141,890
Noncontrolling interest	(2,500)	(1,490)
Total shareholders' equity (deficit)	(66,220)	140,400
Total liabilities and shareholders' equity	$521,350	$661,030

The accompanying notes are an integral part of these financial statements.

45

Table of Contents

Horizon Global Corporation
Consolidated Statements of Operations
(Dollars in thousands, except share and per share data)

	Year ended December 31,		
	2018	2017	2016
Net sales	$849,950	$892,980	$649,200
Cost of sales	(706,070)	(685,380)	(488,850)
Gross profit	143,880	207,600	160,350
Selling, general and administrative expenses	(185,360)	(171,620)	(145,150)
Net loss on dispositions of property and equipment	(2,140)	(1,220)	(540)
Impairment of goodwill and intangible assets	(126,770)	—	(8,360)
Operating profit (loss)	(170,390)	34,760	6,300
Other expense, net:			
Interest expense	(27,740)	(22,410)	(20,080)
Loss on extinguishment of debt	—	(4,640)	—
Other expense, net	(13,130)	(2,730)	(2,610)
Other expense, net	(40,870)	(29,780)	(22,690)
Income (loss) before income tax	(211,260)	4,980	(16,390)
Income tax benefit (expense)	6,360	(9,750)	3,730
Net loss	(204,900)	(4,770)	(12,660)
Less: Net loss attributable to noncontrolling interest	(940)	(1,220)	(300)
Net loss attributable to Horizon Global	$(203,960)	$(3,550)	$(12,360)
Net loss per share attributable to Horizon Global:			
Basic	$(8.14)	$(0.14)	$(0.66)
Diluted	$(8.14)	$(0.14)	$(0.66)
Weighted average common shares outstanding:			
Basic	25,053,013	24,781,349	18,775,500
Diluted	25,053,013	24,781,349	18,775,500

The accompanying notes are an integral part of these financial statements.

Table of Contents

Horizon Global Corporation
Consolidated Statements of Comprehensive Income (Loss)
(Dollars in thousands)

	Year ended December 31,		
	2018	2017	2016
Net loss	$(204,900)	$(4,770)	$(12,660)
Other comprehensive income (loss), net of tax:			
Foreign currency translation and other	(5,150)	17,840	(10,590)
Derivative instruments	2,270	540	(220)
Total other comprehensive income (loss), net of tax	(2,880)	18,380	(10,810)
Total comprehensive income (loss)	(207,780)	13,610	(23,470)
Less: Comprehensive loss attributable to noncontrolling interest	(1,010)	(1,190)	(300)
Comprehensive income (loss) attributable to Horizon Global	$(206,770)	$14,800	$(23,170)

The accompanying notes are an integral part of these financial statements.

Table of Contents

Horizon Global Corporation
Consolidated Statements of Cash Flows
(Dollars in thousands)

	Year ended December 31,		
	2018	2017	2016
Cash Flows from Operating Activities:			
Net loss	$(204,900)	$(4,770)	$(12,660)
Adjustments to reconcile net loss to net cash provided by operating activities, net of acquisition impact:			
Net loss on dispositions of property and equipment	2,140	1,220	540
Impairment of goodwill and intangible assets	126,770	—	8,360
Depreciation	16,440	14,930	10,260
Amortization of intangible assets	8,940	10,410	7,960
Amortization of original issuance discount and debt issuance costs	8,330	6,940	2,090
Deferred income taxes	1,360	(100)	(8,430)
Non-cash compensation expense	1,550	3,630	3,860
Loss on extinguishment of debt	—	4,640	—
Amortization of purchase accounting inventory step-up	—	420	6,680
(Increase) decrease in receivables	(21,890)	(9,540)	4,740
(Increase) decrease in inventories	(7,530)	(17,710)	10,650
(Increase) decrease in prepaid expenses and other assets	6,940	1,410	(6,300)
Increase (decrease) in accounts payable and accrued liabilities	(6,770)	3,540	6,300
Other, net	(1,880)	(860)	1,360
Net cash (used for) provided by operating activities	(70,500)	14,160	35,410
Cash Flows from Investing Activities:			
Capital expenditures	(13,870)	(27,290)	(14,540)
Acquisition of businesses, net of cash acquired	—	(19,800)	(94,370)
Net proceeds from disposition of product line, property and equipment	200	6,350	470
Net cash used for investing activities	(13,670)	(40,740)	(108,440)
Cash Flows from Financing Activities:			
Proceeds from borrowing on credit facilities	23,380	52,310	41,820
Repayments of borrowings on credit facilities	(28,520)	(50,910)	(40,200)
Proceeds from Term B Loan, net of issuance costs	45,430	—	148,180
Repayments of borrowings on Term B Loan, including transaction fees	(9,090)	(189,760)	(10,000)
Proceeds from ABL Facility, net of issuance costs	87,930	139,100	118,430
Repayments of borrowings on ABL Facility	(36,380)	(129,100)	(118,430)
Repayments of Westfalia Group debt	—	—	(39,000)
Repurchase of common stock	—	(10,000)	—
Proceeds from sale of common stock in connection with the Company's equity offering, net of issuance costs	—	79,920	—
Proceeds from issuance of Convertible Notes, net of issuance costs	—	121,130	—
Proceeds from issuance of Warrants, net of issuance costs	—	20,930	—
Payments on Convertible Note Hedges, inclusive of issuance costs	—	(29,680)	—
Other, net	(390)	(240)	(300)
Net cash provided by financing activities	82,360	3,700	100,500
Effect of exchange rate changes on cash	(110)	2,210	(750)
Cash and Cash Equivalents:			

Increase (decrease) for the year	(1,920)	(20,670)	26,720
At beginning of year	29,570	50,240	23,520
At end of year	$27,650	$29,570	$50,240
Supplemental disclosure of cash flow information:			
Cash paid for interest	$18,630	$14,270	$17,330
Cash paid for taxes	$5,780	$7,740	$4,760
Non-cash investing/financing activities:			
Non-cash equity issuance for acquisition of businesses	$—	$—	$49,960

The accompanying notes are an integral part of these financial statements.

Table of Contents

Horizon Global Corporation
Consolidated Statements of Shareholders' Equity
(Dollars in thousands)

	Common Stock	Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Horizon Global Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Balances at January 1, 2016	$ 180	$ 1,260	$ —	$ (1,910)	$ 2,470	$ 2,000	$ —	$ 2,000
Net loss	—	—	—	(12,360)	—	(12,360)	(300)	(12,660)
Other comprehensive loss, net of tax	—	—	—	—	(10,810)	(10,810)	—	(10,810)
Issuance of common stock	30	49,930	—	—	—	49,960	—	49,960
Shares surrendered upon vesting of employees' share based payment awards to cover tax obligations	—	(330)	—	—	—	(330)	—	(330)
Exercise of stock options	—	40	—	—	—	40	—	40
Non-cash compensation expense	—	3,860	—	—	—	3,860	—	3,860
Impact of adoption of new accounting guidance related to stock-based compensation	—	40	—	(40)	—	—	—	—
Balances at December 31, 2016	$ 210	$ 54,800	$ —	$ (14,310)	$ (8,340)	$ 32,360	$ (300)	$ 32,060
Net loss	—	—	—	(3,550)	—	(3,550)	(1,220)	(4,770)
Other comprehensive income, net of tax	—	—	—	—	18,350	18,350	30	18,380
Issuance of common stock	40	79,880	—	—	—	79,920	—	79,920
Repurchase of common stock	—	—	(10,000)	—	—	(10,000)	—	(10,000)
Shares surrendered upon vesting of employees' share based payment awards to cover tax obligations	—	(260)	—	—	—	(260)	—	(260)
	—	50	—	—	—	50	—	50

Exercise of stock options								
Non-cash compensation expense	—	3,630	—	—	—	3,630	—	3,630
Issuance of Warrants, net of issuance costs	—	20,930	—	—	—	20,930	—	20,930
Initial equity component of the 2.75% Convertible Senior Notes due 2022, net of issuance costs and tax	—	20,010	—	—	—	20,010	—	20,010
Convertible Note Hedges, net of issuance costs and tax	—	(19,550)	—	—	—	(19,550)	—	(19,550)
Balances at December 31, 2017, as reported	$ 250	$ 159,490	$ (10,000)	$ (17,860)	$ 10,010	$ 141,890	$ (1,490)	$ 140,400
Impact of ASU 2018-02	—	340	—	(900)	560	—	—	—
Balances at December 31, 2017, as restated	$ 250	$ 159,830	$ (10,000)	$ (18,760)	$ 10,570	$ 141,890	$ (1,490)	$ 140,400
Net loss	—	—	—	(203,960)	—	(203,960)	(940)	(204,900)
Other comprehensive loss, net of tax	—	—	—	—	(2,810)	(2,810)	(70)	(2,880)
Shares surrendered upon vesting of employees' share based payment awards to cover tax obligations	—	(390)	—	—	—	(390)	—	(390)
Non-cash compensation expense	—	1,550	—	—	—	1,550	—	1,550
Balances at December 31, 2018	$ 250	$ 160,990	$ (10,000)	$ (222,720)	$ 7,760	$ (63,720)	$ (2,500)	$ (66,220)

The accompanying notes are an integral part of these financial statements.

Table of Contents

HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

Nature of operations and basis of presentation. Horizon Global Corporation (“Horizon,” “Horizon Global,” “we,” or the “Company”) is a global designer, manufacturer and distributor of a wide variety of high quality, custom-engineered towing, trailering, cargo management and other related accessories. These products are designed to support original equipment manufacturers (“OEMs”) and original equipment servicers (“OESs”) (collectively, “OEs”), aftermarket and retail customers within the agricultural, automotive, construction, horse/livestock, industrial, marine, military, recreational, trailer and utility markets. The Company groups its business into operating segments by the region in which sales and manufacturing efforts are focused. The Company’s operating segments are Horizon Americas, Horizon Europe Africa, and Horizon Asia Pacific. See Note 18, “Segment Information,” for further information on each of the Company’s operating segments.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of Americas (“U.S. GAAP”).

Corporate history. On June 30, 2015, Horizon became an independent company as a result of the distribution by TriMas Corporation (“TriMas” or “former parent”) of 100 percent of the outstanding common shares of Horizon Global to TriMas shareholders (the “spin-off”). Each TriMas shareholder of record as of the close of business on June 25, 2015 (the “Record Date”) received two Horizon Global common shares for every five TriMas common shares held as of the Record Date. The spin-off was completed on June 30, 2015 and was structured to be tax-free to both TriMas and Horizon Global shareholders. On July 1, 2015, Horizon Global common shares began regular trading on the New York Stock Exchange under the ticker symbol “HZN”.

2. New Accounting Pronouncements

New accounting pronouncements not yet adopted

In June 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-07, “Compensation - Stock Compensation (Topic 718)” (“ASU 2018-07”). ASU 2018-07 expands the scope of Accounting Standard Codification (“ASC”) 718 to include all share-based payment arrangements related to the acquisition of goods and services from both non-employees and employees. ASU 2018-07 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018 with early adoption permitted. The standard is not expected to have a significant impact on the Company's consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities” (“ASU 2017-12”). ASU 2017-12 eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires, for qualifying hedges, the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The guidance also modifies the accounting for components excluded from the assessment of hedge effectiveness, eases documentation and assessment requirements and modifies certain disclosure requirements. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted and should be applied on a modified retrospective basis. The standard is not expected to have a significant impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)” (“ASU 2016-02”), which supersedes the lease requirements in “Leases (Topic 840).” The objective of this update is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. Under this guidance, lessees are required to recognize on the balance sheet a lease liability and a right-of-use asset for all leases, with the exception of short-term leases with terms of twelve months or less. The lease liability represents the lessee’s obligation to make lease payments arising from a lease and will be measured as the present value of the lease payments. The right-of-use asset represents the lessee’s right to use a specified asset for the lease term, and will be measured at the lease liability amount, adjusted for lease prepayment, lease incentives received and the lessee’s initial direct costs.

ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted. The Company has elected the package of practical expedients, excluding the lease term hindsight, as permitted by the transition guidance. The Company has made an accounting policy election to exempt leases with an initial term of twelve months or less from balance sheet recognition. Instead, short-term leases will be expensed over the lease term. The Company will adopt the standard January 1, 2019, by applying the modified retrospective method without restatement

of comparative periods' financial information, as permitted by the transition guidance. The impact of adoption will result in the recognition of right-of-use assets estimated in the range of $70.0 million to $80.0 million, with corresponding lease liabilities of the same amount. The standard will not have a significant impact on the Company's consolidated results of operations and cash flows.

Accounting pronouncements recently adopted

In February 2018, the FASB issued ASU 2018-02, “Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income” (“ASU 2018-02”). ASU 2018-02 allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (the “Act”). The Company adopted the standard in the third quarter of 2018 and the impact of the adoption of ASU 2018-02 is approximately a $0.9 million increase to accumulated deficit, a $0.3 million increase to paid-in capital, and a $0.6 million increase to accumulated other comprehensive income.

In May 2017, the FASB issued ASU 2017-09, “Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting” (“ASU 2017-09”). ASU 2017-09 amends the scope of modification accounting for share-based payment arrangements and provides guidance on when an entity would be required to apply modification accounting. The Company adopted ASU 2017-09 on January 1, 2018, on a prospective basis, and there was no impact on the Company’s consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business” (“ASU 2017-01”). ASU 2017-01 provides clarification on the definition of a business and adds guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. As of January 1, 2018, ASU 2017-01 became effective for the Company for any new acquisitions (or disposals), and there was no impact on the Company’s consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, “Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory” (“ASU 2016-16”). ASU 2016-16 provides an amendment to the accounting guidance related to the recognition of income tax consequences of an intra-entity transfer of an asset other than inventory. Under the new guidance, an entity is required to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Under the current guidance, the income tax effects are deferred until the asset has been sold to an outside party. The Company adopted ASU 2016-16 on January 1, 2018, on a modified retrospective basis, and there was no impact on the Company’s consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)” (“ASU 2016-15”). ASU 2016-15 was issued to reduce differences in practice with respect to how specific transactions are classified in the statement of cash flows. The Company adopted ASU 2016-15 on January 1, 2018, and there was no impact on the Company’s consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09” or “Topic 606”). ASU 2014-09 supersedes most of the existing guidance on revenue recognition in ASC Topic 605, “Revenue Recognition” (“Topic 605”), and establishes a broad principle that would require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted Topic 606 as of January 1, 2018 using the modified retrospective transition method. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The Company did not record a cumulative adjustment related to the adoption of ASU 2014-09, and the effects of adoption were not significant. See Note 4, “Revenues,” for further information.

3. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the assets, liabilities, revenues and expenses of Horizon Global and its wholly-owned subsidiaries. In addition, the consolidated financial statements include the consolidation of a variable interest entity ("VIE") for which the Company has been deemed to be the primary beneficiary. The consolidated financial statements include the assets and liabilities of the VIE at December 31, 2018 and 2017, and the revenue and expenses of the VIE for the period beginning October 1, 2016. Intercompany accounts and transactions have been eliminated in consolidation.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Use of Estimates. The preparation of financial statements in conformity with U.S. GAAP requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, goodwill and other intangibles, valuation allowances for receivables, inventories and deferred income tax assets, valuation of derivatives, estimated future unrecoverable lease costs, estimated uncertain tax positions, legal and product liability matters, assets and obligations related to employee benefits, and the respective allocation methods. Actual results may differ from such estimates and assumptions.

Cash and Cash Equivalents. The Company considers cash on hand and on deposit and investments in all highly liquid debt instruments with initial maturities of three months or less to be cash and cash equivalents.

Account Receivables. Receivables consist primarily of amounts from contracts with customers for the sale of towing, trailering, cargo management and other related accessories. Receivables are presented net of allowances for doubtful accounts of approximately $5.1 million and $3.1 million at December 31, 2018 and 2017, respectively. The Company monitors its exposure for credit losses and maintains allowances for doubtful accounts based upon the Company's best estimate of probable losses inherent in the accounts receivable balances. The Company does not believe that significant credit risk exists due to its diverse customer base.

Account Receivables Factoring. The Company has factoring arrangements with financial institutions to sell certain accounts receivable under certain recourse and non-recourse agreements. Total receivables sold under the factoring arrangements were approximately $242.8 million and $257.5 million as of December 31, 2018 and 2017, respectively. The sales of accounts receivable in accordance with the factoring arrangements are reflected as a reduction of Receivables, net in the consolidated balance sheets as they meet the applicable criteria of Accounting Standards Codification ("ASC") 860, "Transfers and Servicing." The holdback amounts due from the factoring institutions were approximately $3.1 million each as of December 31, 2018 and 2017, respectively, and is shown in Receivables, net in the consolidated balance sheets. Cash proceeds from these arrangements are included in the change in receivables under the operating activities section of the consolidated statements of cash flows. The Company pays factoring fees associated with the sale of receivables based on the dollar value of the receivables sold. Total factoring fees were $0.7 million for each the years ended December 31, 2018 and 2017, respectively.

Inventories. Inventories are stated at lower of cost or net realizable value, with cost determined using the first-in, first-out basis. Direct materials, direct labor and allocations of variable and fixed manufacturing-related overhead are included in inventory cost. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal and transportation.

Property and Equipment. Property and equipment additions, including significant improvements, are recorded at cost. Upon retirement or disposal of property and equipment, the historical cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in the accompanying consolidated statements of operations. Repair and maintenance costs are charged to expense as incurred.

Depreciation. Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Annual depreciation rates are as follows:

Fixed Asset Category	Estimated Useful Life
Building and Land/building improvements	10 - 40 years
Machinery and Equipment	3 - 15 years

Impairment of Long-Lived Assets and Definite-Lived Intangible Assets. The Company reviews, on at least a quarterly basis, the financial performance of each business unit for indicators of impairment. In reviewing for impairment indicators, the Company considers events or changes in circumstances such as business prospects, customer retention, market trends, potential product obsolescence, competitive activities and other economic factors. An impairment loss is recognized when the carrying value of an asset group exceeds the future net undiscounted cash flows expected to be generated by that asset group. The impairment loss recognized is the amount by which the

carrying value of the asset group exceeds its fair value.

Goodwill. Goodwill is acquired in a business combination and represents the excess of purchase consideration over the fair value of assets acquired and liabilities assumed. The Company determines its reporting units at the individual operating segment level, or one level below, when there is discrete financial information available that is regularly reviewed by segment management for

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

evaluating operating results. For purposes of the Company's annual goodwill impairment test, the Company had three reporting units which are the same as its three operating segments, of which the Horizon Americas and Horizon Asia-Pacific reporting units had goodwill of $4.5 million and $8.2 million, respectively, at the 2018 annual test for impairment. The Horizon Europe-Africa reporting unit's goodwill was written off during 2018 due to interim triggering events that resulted in $124.7 million of impairment charges. See Note 6, Goodwill and Other Intangible Assets for further information.

Goodwill is reviewed by the Company for impairment on a reporting unit basis annually on October 1st or more frequently if indicators are present or changes in circumstances suggest that impairment may exist. The Company performs a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount. If not, no further goodwill impairment testing is performed. If so, then the Company performs testing for possible impairment in a one-step quantitative process. The fair value of a reporting unit is compared with its carrying value, including goodwill. If fair value exceeds the carrying value, goodwill is not considered to be impaired. If the fair value of a reporting unit is below the carrying value, then goodwill is considered to be impaired in the amount of the excess of a reporting unit's carrying value over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit.

Indefinite-Lived Intangibles. The Company assesses indefinite-lived intangible assets for impairment annually on October 1st by reviewing relevant quantitative factors. More frequent evaluations may be required if the Company experiences changes in its business climate or as a result of other triggering events that take place.

Indefinite-lived intangible assets are tested for impairment by comparing the fair value of each intangible asset with its carrying value. The value of indefinite-lived intangible assets are based on the present value of projected cash flows using a relief from royalty approach. If the carrying value exceeds fair value, the intangible asset is considered impaired and is reduced to fair value. The Company recognized indefinite-lived intangible impairment charges of $2.1 million for the year ended December 31, 2018. See Note 6, Goodwill and Other Intangible Assets, for further information.

Self-insurance. Horizon instituted self-insurance plans for losses and liabilities related to workers' compensation and comprehensive general, product and vehicle liability at the time of spin-off which ran through June 30, 2016. The Company was generally responsible for up to $1.0 million per occurrence under our comprehensive general, product and vehicle liability plan and $0.5 million under our workers' compensation plan. Beginning on July 1, 2016, Horizon is fully insured for workers' compensation and retains no liability for claims under the new plan, and are generally responsible for up to $0.8 million per occurrence under our comprehensive general, product and vehicle liability plan. Reserves for claim losses, including an estimate of related litigation defense costs, are recorded based upon the Company's estimates of the aggregate liability for claims incurred using actuarial assumptions about future events. Changes in assumptions for factors such as actual experience could cause these estimates to change.

Revenue Recognition. Revenue is measured based on a consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue. See Note 4, Revenue, for further information on the Company's revenue recognition in accordance with ASC Topic 606.

Cost of Sales. Cost of sales includes material, labor and overhead costs incurred in the manufacture of products sold in the period. Material costs include raw material, purchased components, outside processing and shipping and handling costs. Overhead costs consist of variable and fixed manufacturing costs, wages and fringe benefits, and purchasing, receiving and inspection costs.

Research and Development Costs. Research and development ("R&D") costs are expensed as incurred. R&D expenses were approximately $15.5 million, $15.4 million and $10.4 million for the years ended December 31, 2018, 2017 and 2016, respectively, and are included in cost of sales in the accompanying consolidated statements of operations.

Selling, General and Administrative Expenses. Selling, general and administrative expenses include the following: costs related to the advertising, sale, marketing and distribution of the Company's products, outbound freight costs, amortization of customer intangible assets, costs of finance, human resources, legal functions, executive management costs and other administrative expenses.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Shipping and Handling Expenses. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in cost of sales. Other outbound freight costs are included in selling, general and administrative expenses. Shipping and handling expenses, including those of Horizon Americas' distribution network, are included in cost of sales in the accompanying consolidated statements of operations. Shipping and handling costs were $19.5 million, $13.3 million and $9.1 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Advertising and Sales Promotion Costs. Advertising and sales promotion costs are expensed as incurred. Advertising costs were approximately $4.4 million, $6.2 million and $6.1 million for the years ended December 31, 2018, 2017 and 2016, respectively, and are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

Income Taxes. The Company computes income taxes using the asset and liability method, whereby deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of assets and liabilities and for operating loss and tax credit carryforwards. Under this method, changes in tax rates and laws are recognized in income in the period such changes are enacted. Valuation allowances are determined based on an assessment of positive and negative evidence on a jurisdiction-by-jurisdiction basis and are utilized to reduce deferred tax assets to the amount more likely than not to be realized. The Company recognizes the effect of income tax positions only if those positions have a probability of more likely than not of being sustained in an audit. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to uncertain tax positions within income tax expense. Accrued interest and penalties are included within the related tax liability line in the consolidated balance sheets.

The provision for federal, foreign, and state and local income taxes is calculated on income before income taxes based on current tax law and includes the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provision differs from the amounts currently payable because certain items of income and expense are recognized in different reporting periods for financial reporting purposes than for income tax purposes.

Foreign Currency Translation. The financial statements of subsidiaries located outside of the United States are measured using the currency of the primary economic environment in which they operate as their functional currency. When translating into U.S. dollars, income and expense items are translated at period average exchange rates and assets and liabilities are translated at exchange rates in effect at the balance sheet date. Translation adjustments resulting from translating the functional currency into U.S. dollars are deferred as a component of accumulated other comprehensive income (loss) in the consolidated statements of shareholders' equity. Net foreign currency transaction gains or losses were approximately a $1.0 million loss for the year ended December 31, 2018, a $0.8 million loss for the year ended December 31, 2017, and a $0.5 million gain for the year ended December 31, 2016.

Derivative Financial Instruments. The Company records all derivative financial instruments at fair value on the balance sheets as either assets or liabilities, and changes in their fair values are immediately recognized in earnings if the derivatives do not qualify as effective hedges. If a derivative is designated as a fair value hedge, then the effective portion of changes in the fair value of the derivative are offset against the changes in the fair value of the underlying hedged item. If a derivative is designated as a cash flow hedge, then the effective portion of the changes in the fair value of the derivative is recognized as a component of other comprehensive income (loss) until the underlying hedged item is recognized in earnings or the forecasted transaction is no longer probable of occurring. When the underlying hedged transaction is realized or the hedged transaction is no longer probable, the gain or loss included in accumulated other comprehensive income (loss) is recorded in earnings and reflected in the consolidated statements of operations through the same line item as the underlying hedged item.

The Company formally documents hedging relationships for all derivative transactions and the underlying hedged items, as well as its risk management objectives and strategies for undertaking the hedge transactions.

Fair Value of Financial Instruments. In accounting for and disclosing the fair value of these instruments, the Company uses the following hierarchy:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Valuation of the Company's foreign currency forward contracts and cross currency swaps are based on the income approach, which uses observable inputs such as forward currency exchange rates and swap rates. The carrying value of financial instruments reported in the balance sheets for current assets and current liabilities approximates fair value due to the short maturity of these instruments.

Business Combinations. The Company records assets acquired and liabilities assumed from acquisitions at fair value. The fair value of working capital accounts, except inventory generally approximate book value. The valuation of inventory, property, plant and equipment, and intangible assets require significant assumptions. Inventory is recorded based on the estimated selling price less costs to sell, including completion, disposal and holding period costs with a reasonable profit margin. Property, plant and equipment is recorded at fair value using a combination of both the cost and market approaches for both the real and personal property acquired. Under the cost approach, consideration is given to the amount required to construct or purchase a new asset of equal value at current prices, with adjustments in value for physical deterioration, as well as functional and economic obsolescence. Under the market approach, recent transactions for similar types of assets are used as the basis for estimating fair value. For trademark/trade names and technology and other intangible assets, the estimated fair value is based on projected discounted future net cash flows using the relief-from-royalty method. For customer relationship intangible assets, the estimated fair value is based on projected discounted future cash flows using the excess earnings method. The relief-from-royalty and excess earnings method are both income approaches that utilize key assumptions such as forecasts of revenue and expenses over an extended period of time, royalty rate percentages, tax rates, and estimated costs of debt and equity capital to discount the projected cash flows.

Earnings (Loss) Per Share. Basic earnings (loss) per share ("EPS") is computed based upon the weighted average number of common shares outstanding for each period. Diluted EPS is computed based on the weighted average number of common shares and common equivalent shares. Common equivalent shares represent the effect of stock-based awards, warrants, and convertible notes during each period presented, which, if exercised, earned, or converted, would have a dilutive effect on EPS. Dilutive EPS are calculated to give effect to stock options and warrants, restricted shares outstanding, and convertible notes during each period. Loss per share excludes certain dilutive securities as inclusion results in an anti-dilutive effect.

Environmental Obligations. The Company is subject to increasingly stringent environmental laws and regulations, including those relating to air emissions, wastewater discharges and chemical and hazardous waste management and disposal. Some of these environmental laws hold owners or operators of land or businesses liable for their own and for previous owners' or operators' releases of hazardous or toxic substances or wastes. Other environmental laws and regulations require the obtainment and compliance with environmental permits. To date, costs of complying with environmental requirements have not been material; however, the Company cannot quantify with certainty the potential impact of future compliance efforts and environmental remediation actions.

While the Company must comply with existing and pending climate change legislation, regulation and international treaties or accords, current laws and regulations have not had a material impact on the Company's business, capital expenditures or financial position. Future events, including those relating to climate change or greenhouse gas regulation could require the Company to incur expenses related to the modification or curtailment of operations, installation of pollution control equipment or investigation and cleanup of contaminated sites.

Contingencies and Ordinary Course Claims. In the ordinary course of business, the Company is subject of, or party to, various pending or threatened legal actions, including those arising from alleged defects related to our products, product warranties, recalls, breach of contracts, intellectual property matters, employment-related matters and other litigation. Litigation is always subject to inherent uncertainty and the Company is not able to reasonably predict if any matter will be resolved in a manner that is materially adverse to the Company.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

An accrual for potential losses related to these contingencies is established when there is a probable occurrence of loss and the amount can be reasonably estimated. The Company does not record liabilities when the likelihood that a liability has been incurred is probable, but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote. When the Company evaluates matters for accrual and disclosure purposes, management takes into consideration factors such as our historical experience with matters of a similar nature, the specific facts and circumstances asserted and the related jurisdictional legal proceedings, the likelihood that we will prevail, and the severity of any potential loss. We reevaluate and update our accruals as matters progress over time. The Company carries product liability, recall and other insurance to defray some of the costs if a claim settlement or judgment exceeds our self-insured retention limit. Refer to Note 14, “Contingencies”, for additional information.

Stock-based Compensation. The Company measures stock-based compensation expense at fair value as of the grant date in accordance with U.S. GAAP and recognizes such expenses over the vesting period of the stock-based employee awards. Stock options are issued with an exercise price equal to the opening market price of Horizon common shares on the date of grant. The fair value of stock options is determined using a Black-Scholes option pricing model, which incorporates assumptions regarding the expected volatility, expected option life, risk-free interest rate and expected dividend yield. In addition, the Company periodically updates its estimate of attainment for each restricted share with a performance factor based on current and forecasted results, reflecting the change from prior estimate, if any, in current period compensation expense.

Other Comprehensive Income (Loss). The Company refers to other comprehensive income (loss) as revenues, expenses, gains and losses that under U.S. GAAP are included in comprehensive income (loss) but are excluded from net losses as these amounts are recorded directly as an adjustment to accumulated deficit. Other comprehensive income (loss) is comprised of foreign currency translation adjustments and changes in unrealized gains and losses on forward currency contracts and cross currency swaps.

4. Revenues

Revenue Recognition

The following tables present the Company’s net sales by segments and disaggregated by major sales channel for the twelve months ended December 31, 2018:

	Horizon Americas	Horizon Europe-Africa	Horizon Asia-Pacific	Total
	(dollars in thousands)			
Net Sales				
Automotive OEM	$80,300	$ 174,040	$ 23,810	$278,150
Automotive OES	5,610	50,890	60,620	117,120
Aftermarket	114,450	77,190	25,070	216,710
Retail	115,920	—	11,460	127,380
Industrial	38,810	—	15,040	53,850
E-commerce	34,220	4,570	—	38,790
Other	1,380	16,570	—	17,950
Total	$390,690	$ 323,260	$ 136,000	$849,950

Revenue is recognized when obligations under the terms of a contract with the Company’s customers are satisfied; generally, this occurs with the transfer of control of its towing, trailering, cargo management and other related accessory products. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring its products. Sales, value add, and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue. The Company’s payment terms vary by the type and location of its customers and the products offered. The term between invoicing and when payment is due is not significant.

For the majority of the Company’s sales arrangements, the Company deems control to transfer at a single point in time and recognizes revenue when it ships products from its manufacturing facilities to its customers. Once a product has

shipped, the customer is able to direct the use of, and obtain substantially all of the remaining benefits from, the asset. The Company considers

control to transfer upon shipment because the Company has a present right to payment at that time, the customer has legal title to the asset, and the customer has significant risks and rewards of ownership of the asset.

For certain sales arrangements within the automotive OEM and automotive OES sales channels, the Company deems control to transfer over time, and recognizes revenue as products are manufactured, when the terms of the arrangement include both a right to payment and contractual restrictions against the alternative use of its products. For revenue recognized over time, the Company estimates the amount of revenue earned at a given point during the production cycle based on certain costs factors such as raw materials and labor, incurred to date, plus a reasonable profit. The Company believes this method, which is the cost-to-cost input method, best estimates the revenue recognizable for these arrangements. At December 31, 2018, the aggregate amount of the transaction prices allocated to remaining performance obligations was not material, and the Company will recognize this revenue as the manufacturing of the products is completed, which is expected to occur over the next 12 months.

Provisions for customer volume rebates, product returns, discounts and allowances are variable consideration and are recorded as a reduction of revenue in the same period the related sales are recorded. Such provisions are calculated using historical averages adjusted for any expected changes due to current business conditions. Consideration given to customers for cooperative advertising is recognized as a reduction of revenue as there is no distinct good or service received in return for the advertising. The Company uses the most likely amount method to estimate variable consideration. Adjustments to estimates of variable consideration for previously recognized revenue were insignificant during the year ended December 31, 2018.

Contract Balances

The timing of revenue recognition, billings and cash collections and payments results in billed accounts receivable, unbilled receivables (contract assets), and deferred revenues (contract liabilities).

Revenue recognized over time gives rise to contract assets, which represent revenue recognized but unbilled. The Company’s sales arrangements satisfied over time create contract assets when revenue is recognized as the products are manufactured, as payment is not contractually required until the products have shipped. Contract assets in these arrangements are reclassified to accounts receivable upon shipment. At December 31, 2018, total opening and closing balances of contract assets were not material.

Contract liabilities are comprised of customer payments received or due in advance of the Company’s performance. At December 31, 2018, total opening and closing balances of deferred revenue were not material. The Company recognizes deferred revenue as net sales after the Company has transferred control of the products to the customer and all revenue recognition criteria is met. For the year ended December 31, 2018, the total amount of revenue recognized from revenue deferred in prior periods was not material.

Additionally, the Company monitors the aging of uncollected billings and adjusts its accounts receivable allowance on a quarterly basis, as necessary, based upon its evaluation of the probability of collection. The adjustments made by the Company due to the write-off of uncollectible amounts have been immaterial for all periods presented.
At December 31, 2018 and December 31, 2017, the Company’s accounts receivable, net of reserves were $108.3 million and $91.8 million, respectively.

Practical Expedients

The Company elects the practical expedient to expense costs incurred to obtain a contract with a customer when the amortization period would have been one year or less. These costs include sales commissions as the Company has determined annual compensation is commensurate with annual sales activities.

The Company elects the practical expedient that does not require the Company to adjust consideration for the effects of a significant financing component when the period between shipment of its products and customer's payment is one year or less.

5. Acquisitions

Brink Group Termination

On December 13, 2017, the Company entered into a sale and purchase agreement (the "SPA") to acquire Brink International B.V. and its subsidiaries (collectively, the "Brink Group"). The SPA contemplated a business combination through the purchase of 100%

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

of the equity interest in the Brink Group (the "Brink Group Acquisition"). On the date of the closing of the Brink Group Acquisition, the Brink Group would have become a wholly owned subsidiary of Horizon.

On June 14, 2018, the Brink Group Acquisition was terminated by the parties pursuant to the terms of the transaction. On July 16, 2018, in accordance with the termination and settlement agreement, the Company paid the Brink Group a breakup fee of approximately $5.5 million. During the year ended December 31, 2018, Horizon incurred transaction fees, including related financing costs, of approximately $11.0 million in connection with the pursuit of the Brink Group Acquisition, as well as $5.1 million of costs incurred related to deal financing a ticking fee. The breakup fee and transaction fees are included in selling, general and administrative expenses and the ticking fee is included in other expense, net in the accompanying consolidated statements of operations. There were no transaction fees incurred in connection with the Brink Group Acquisition for the years ended December 31, 2017 or December 31, 2016.

Best Bars Acquisition

On July 3, 2017, the Company completed the acquisition of Best Bars Limited ("Best Bars"), within the Horizon Asia-Pacific operating segment, for total consideration of $19.6 million. Best Bars is a provider of towing solutions and automotive accessories to OE and aftermarket customers in New Zealand. The Company believes the acquisition will expand its opportunities for revenue and margin growth, increase its market share and further develop its global OE footprint.

The following table summarizes the fair value of consideration paid for Best Bars, and the assets acquired and liabilities assumed:

	Acquisition Date (dollars in thousands)
Consideration	
Cash paid	$ 19,570
Recognized amounts of identifiable assets acquired and liabilities assumed	
Receivables	2,100
Inventories	2,340
Other intangibles	7,690
Prepaid expenses and other current assets	110
Property and equipment	2,250
Accounts payable and accrued liabilities	(1,680)
Deferred income taxes	(2,150)
Total identifiable net assets	10,660
Goodwill	8,910
	$ 19,570

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of goodwill for the years ended December 31, 2018 and 2017 are as follows:

	Horizon Americas	Horizon Europe Africa	Horizon Asia Pacific	Total
	(dollars in thousands)			
Balances at December 31, 2016	$ 5,370	$ 114,820	$ —	$120,190
Goodwill from acquisitions [a]	—	—	6,990	6,990
Foreign currency translation	(90)	11,340	(240)	11,010
Balances at December 31, 2017	5,280	126,160	6,750	138,190
Impairment	—	(124,660)	—	(124,660)
Foreign currency translation and other	(780)	(1,500)	1,410	(870)
Balances at December 31, 2018	$ 4,500	$ —	$ 8,160	$12,660

[a] Attributable to the acquisition of Best Bars, as further described in Note 5, “Acquisitions”.

The Company performed an annual goodwill impairment test as of October 1, 2017, for which the fair value of all reporting units exceeded their respective carrying value, indicating no impairment. However, during the fourth quarter of 2017, Horizon experienced a significant decline in market capitalization, which, coupled with the Europe-Africa reporting unit’s performance, which were below expectations, formed an indicator of impairment of recorded goodwill. The indicator did not impact the Horizon Americas and Horizon Asia-Pacific reporting units as these reporting units were generating positive cashflows and had a good business outlook. A separate qualitative assessment was completed over these reporting units as part of the Company’s annual October 1, 2017 goodwill test for impairment and it was determined that it was more likely than not that the fair values of the Horizon Americas and Horizon Asia-Pacific reporting units was greater than the carrying values, when considering positive and negative macro and micro factors such as market value, market capitalization and income approach factors (e.g., cash generation, operating results, etc.). However, due to the triggers described above, a quantitative analysis was performed for the Horizon Europe-Africa reporting unit as of December 31, 2017, which indicated that the fair value of the reporting unit exceeded its carrying value by approximately 1%.

During the first quarter of 2018, the Company continued to experience a decline in market capitalization. Additionally, the Europe-Africa reporting unit did not perform in-line with forecasted results driven by a shift in volume to lower margin programs as well as increased commodity costs, which negatively impacted margins. As a result, an indicator of impairment was identified during the first quarter of 2018. The Company performed an interim quantitative assessment as of March 31, 2018, utilizing a combination of the income and market approaches, which were weighted evenly. The results of the quantitative analysis performed indicated the carrying value of the reporting unit exceeded the fair value of the reporting unit by $43.4 million, and accordingly an impairment was recorded. Key assumptions used in the analysis were a discount rate of 13.5%, a terminal growth rate of 2.5% and EBITDA margin. Due to the impairment indicators noted above, the Company also performed an interim impairment assessment of indefinite-lived intangible assets in the first quarter of 2018 in the Horizon Europe-Africa operating segment. Based on the results of the analyses, there were certain trade names where the estimated fair values approximated the carrying values. Key assumptions used in the analysis were discount rates of 13.5% to 16.0% and royalty rates ranging from 0.5% to 1.0%.

During the second quarter of 2018, the Company continued to experience a decline in market capitalization. Additionally, the Europe-Africa reporting unit did not perform in-line with forecasted results driven by an unfavorable shift in volume to lower margin channels as well as increased commodity costs, which negatively impacted margins. Further, the expected benefits of shifting production to lower cost manufacturing sites had not been realized. As a result, an indicator of impairment was identified during the second quarter of 2018. The Company performed an interim quantitative assessment as of June 30, 2018, utilizing a combination of the income and market approaches.

The income approach was weighted 75%, while the market approach was weighted 25%. The results of the quantitative analysis performed indicated the carrying value of the reporting unit exceeded the fair value of the reporting unit by $54.6 million and, accordingly, an impairment was recorded. Key assumptions used in the analysis were a discount rate of 14.0%, a terminal growth rate of 2.5% and EBITDA margin.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Due to the impairment indicators noted above, the Company performed an interim impairment assessment for indefinite-lived intangible assets within the Horizon Europe-Africa operating segment, for which the gross carrying amounts totaled approximately $12.1 million as of June 30, 2018. Based on the results of the Company's analyses, it was determined that the carrying values of the Westfalia and Terwa trade names exceeded their fair values by $1.1 million and, accordingly, an impairment charge was recorded. Key assumptions used in the analysis were discount rates of 15.0% and royalty rates ranging from 0.5% to 1.0%.

During the third quarter of 2018, the Europe-Africa reporting unit continued to underperform in relation to forecasted results driven by increased commodity costs and the failure to realize benefits from previously implemented synergy plans. The Company performed an interim quantitative assessment as of August 31, 2018, utilizing a combination of the income and market approaches. The income approach was weighted 75%, while the market approach was weighted 25%. The results of the quantitative analysis performed indicated the carrying value of the reporting unit exceeded fair value and, accordingly, an impairment of $26.6 million was recorded eliminating all remaining goodwill associated with the Europe-Africa reporting unit. Key assumptions used in the analysis were a discount rate of 13.5%, a terminal growth rate of 2.5% and EBITDA margin.

Due to impairment indicators noted above, the Company performed an interim impairment assessment for indefinite-lived intangible assets within the Europe-Africa operating segment as of August 31, 2018, for which the gross carrying amounts totaled approximately $10.9 million as of September 30, 2018. Based on the results of the Company's analyses, the carrying value of the trademarks approximated fair value. Key assumptions used in the analysis were discount rates of 14.5%, and royalty rates ranging from 0.5% to 1.0%.

As of its annual testing date for 2018, the Company no longer had any goodwill recorded for its Horizon Europe-Africa reporting unit due to the interim triggering events discussed above that occurred during the 2018 fiscal year. These triggering events resulted in a goodwill impairment charge of $124.7 million for the year-ended December 31, 2018. The Company performed an annual qualitative goodwill impairment assessment as of October 1, 2018, for the Horizon Americas and Horizon Asia-Pacific reporting units. The assessment indicated that it was more likely than not that the fair value of each of the reporting units exceeded its respective carrying value. We do not believe that any of our reporting units is at risk for impairment as of December 31, 2018.

Other Intangible Assets

The gross carrying amounts and accumulated amortization of the Company's other intangibles are summarized below.

	December 31, 2018		December 31, 2017	
Intangible Category by Useful Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(dollars in thousands)			
Finite-lived intangible assets:				
Customer relationships, 5 - 20 years	$177,910	$(127,740)	$180,850	$(121,750)
Technology and other, 3 - 15 years	21,000	(15,910)	19,950	(15,260)
Trademark/Trade names, 1 - 8 years	730	(250)	730	(190)
Total finite-lived intangible assets	199,640	(143,900)	201,530	(137,200)
Trademark/Trade names, indefinite-lived	22,310	—	25,900	—
Total other intangible assets	$221,950	$(143,900)	$227,430	$(137,200)

Amortization expense related to intangible assets as included in the accompanying consolidated statements of operations is summarized as follows:

	Year ended December 31,		
	2018	2017	2016
	(dollars in thousands)		
Technology and other, included in cost of sales	$1,840	$710	$170

Customer relationships & Trademark/Trade names, included in selling, general and administrative expenses	7,100	9,700	7,790
Total amortization expense	$8,940	$10,410	$7,960

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Estimated amortization expense for the next five fiscal years beginning after December 31, 2018 is as follows:

Year ended December 31,	Estimated Amortization Expense (dollars in thousands)
2019	$ 8,150
2020	7,890
2021	6,160
2022	5,540
2023	4,970

The Company performed an annual qualitative indefinite-lived impairment assessment as of October 1, 2018. The assessment indicated that it was more likely than not that the fair value of each of the indefinite-lived intangible assets exceeded its respective carrying value. The Company specifically assessed its Terwa trade name during the fourth quarter of 2018 and identified an impairment. The trade name has been written off as of the year-ended December 31, 2018, resulting in a charge of approximately $1.0 million.

7. Inventories, Net

Inventories, net consist of the following components:

	December 31, 2018	December 31, 2017
	(dollars in thousands)	
Finished goods	$112,620	$ 113,740
Work in process	21,470	17,960
Raw materials	55,640	53,950
Total inventories	$189,730	$ 185,650
Reserves	(16,040)	(14,150)
Inventories, net	$173,690	$ 171,500

8. Property and Equipment, Net

Property and equipment, net consists of the following components:

	December 31, 2018	December 31, 2017
	(dollars in thousands)	
Land and land improvements	$460	$ 480
Buildings	21,440	23,370
Machinery and equipment	161,750	162,830
	183,650	186,680
Less: Accumulated depreciation	81,370	73,660
Property and equipment, net	$102,280	$ 113,020

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Depreciation expense as included in the accompanying consolidated statements of operations is as follows:

	Year ended December 31,		
	2018	2017	2016
	(dollars in thousands)		
Depreciation expense, included in cost of sales	$ 15,110	$ 13,730	$ 8,800
Depreciation expense, included in selling, general and administrative expense	1,330	1,200	1,460
Total depreciation expense	$ 16,440	$ 14,930	$ 10,260

9. Accrued and Other Long-term Liabilities

Accrued liabilities consist of the following components:

	December 31, 2018	December 31, 2017
	(dollars in thousands)	
Customer claims	14,160	2,170
Accrued compensation	10,230	10,360
Customer incentives	10,100	8,800
Restructuring	7,530	3,940
Accrued professional services	4,770	4,140
Deferred purchase price	3,400	1,930
Short-term tax liabilities	1,930	7,700
Cross currency swap	1,610	—
Other	12,090	14,030
Total accrued liabilities	$65,820	$ 53,070

Other long-term liabilities consist of the following components:

	December 31, 2018	December 31, 2017
	(dollars in thousands)	
Long-term tax liabilities	$6,270	$ 13,750
Restructuring	2,580	3,100
Deferred purchase price	30	3,350
Cross currency swap	—	7,830
Other	11,080	10,340
Total other long-term liabilities	$19,960	$ 38,370

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Long-term Debt
The Company's long-term debt consists of the following:

	December 31, 2018	December 31, 2017
	(dollars in thousands)	
ABL Facility	$61,570	$ 10,000
Term B Loan	190,520	149,620
Convertible Notes	125,000	125,000
Bank facilities, capital leases and other long-term debt	18,990	25,780
	396,080	310,400
Less:		
Unamortized debt issuance costs and original issuance discount on Term B Loan	7,380	4,940
Unamortized debt issuance costs and discount on the Convertible Notes	24,190	29,870
Current maturities, long-term debt	13,860	16,710
Long-term debt	$350,650	$ 258,880

Convertible Notes
On February 1, 2017, the Company completed a public offering of 2.75% Convertible Senior Notes due 2022 (the "Convertible Notes") in an aggregate principal amount of $125.0 million. Interest is payable on January 1 and July 1 of each year, beginning on July 1, 2017. The Convertible Notes are convertible into 5,005,000 shares of the Company's common stock, based on an initial conversion price of $24.98 per share. The Convertible Notes will mature on July 1, 2022 unless earlier converted.
The Convertible Notes are convertible at the option of the holder (i) during any calendar quarter beginning after March 31, 2017, if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business days after any five consecutive trading day period in which the trading price per $1,000 principal amount of the Convertible Notes for each trading day of such period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day; (iii) upon the occurrence of specified corporate events; and (iv) on or after January 1, 2022 until the close of business on the second scheduled trading day immediately preceding the maturity date. During the fourth quarter of 2018, no conditions allowing holders of the Convertible Notes to convert have been met. Therefore, the Convertible Notes were not convertible during the fourth quarter of 2018 and are classified as long-term debt. Should conditions allowing holders of the Convertible Notes to convert be met in a future quarter, the Convertible Notes will be convertible at their holders' option during the immediately following quarter. As of December 31, 2018, the if-converted value of the Convertible Notes did not exceed the principal value of those Convertible Notes.
Upon conversion by the holders, the Company may elect to settle such conversion in shares of its common stock, cash, or a combination thereof. Because the Company may elect to settle conversion in cash, the Company separated the Convertible Notes into their liability and equity components by allocating the issuance proceeds to each of those components in accordance with ASC 470-20, "Debt-Debt with Conversion and Other Options." The Company first determined the fair value of the liability component by estimating the fair value of a similar liability that does not have an associated equity component. The Company then deducted that amount from the issuance proceeds to arrive at a residual amount, which represents the equity component. The Company accounted for the equity component as a debt discount (with an offset to paid-in capital in excess of par value). The debt discount created by the equity component is being amortized as additional non-cash interest expense using the effective interest method over the contractual term of the Convertible Notes ending on July 1, 2022.
The Company allocated offering costs of $3.9 million to the debt and equity components in proportion to the allocation of proceeds to the components, treating them as debt issuance costs and equity issuance costs, respectively.

The debt issuance costs of $2.9 million are being amortized as additional non-cash interest expense using the effective interest method over the contractual term of the Convertible Notes. The Company presents debt issuance costs as a direct deduction from the carrying value of the liability component. The carrying value of the liability component at December 31, 2018 and December 31, 2017, was $100.8 million and

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$95.1 million, respectively, including total unamortized debt discount and debt issuance costs of $24.2 million and $29.9 million. The $1.0 million portion of offering costs allocated to equity issuance costs was charged to paid-in capital. The carrying amount of the equity component was $20.0 million at December 31, 2018 and December 31, 2017, respectively, net of issuance costs and taxes.

Interest expense recognized relating to the contractual interest coupon, amortization of debt discount and amortization of debt issuance costs on the Convertible Notes included in the accompanying consolidated statements of operations are as follows:

	Year ended December 31,	
	2018	2017
	(dollars in thousands)	
Contractual interest coupon on convertible debt	$3,490	$3,190
Amortization of debt issuance costs	$530	$490
Amortization of "equity discount" related to debt	$5,150	$4,380

The estimated fair value of the Convertible Notes based on a market approach as of December 31, 2018 was approximately $68.2 million, which represents a Level 2 valuation. The estimated fair value was determined based on the estimated or actual bids and offers of the Convertible Notes in an over-the-counter market on the last business day of the period.

In connection with the issuance of the Convertible Notes, the Company entered into convertible note hedge transactions (the “Convertible Note Hedges”) in privately negotiated transactions with certain of the underwriters or their affiliates (in this capacity, the “option counterparties”). The Convertible Note Hedges provide the Company with the option to acquire, on a net settlement basis, 5,005,000 shares of its common stock, which is equal to the number of shares of common stock that notionally underlie the Convertible Notes, at a strike price of $24.98, which corresponds to the conversion price of the Convertible Notes. The Convertible Note Hedges have an expiration date that is the same as the maturity date of the Convertible Notes, subject to earlier exercise. The Convertible Note Hedges have customary anti-dilution provisions similar to the Convertible Notes. The Convertible Note Hedges have a default settlement method of net-share settlement but may be settled in cash or shares, depending on the Company’s method of settlement for conversion of the corresponding Convertible Notes. If the Company exercises the Convertible Note Hedges, the shares of common stock it will receive from the option counterparties to the Convertible Note Hedges will cover the shares of common stock that it would be required to deliver to the holders of the converted Convertible Notes in excess of the principal amount thereof. The aggregate cost of the Convertible Note Hedges was $29.0 million (or $7.5 million net of the total proceeds from the Warrants sold, as discussed below), before the allocation of issuance costs of approximately $0.7 million. The Convertible Note Hedges are accounted for as equity transactions in accordance with ASC 815-40, “Derivatives and Hedging-Contracts in Entity’s own Equity.”

In connection with the issuance of the Convertible Notes, the Company also sold net-share-settled warrants (the “Warrants”) in privately negotiated transactions with the option counterparties for the purchase of up to 5,005,000 shares of its common stock at a strike price of $29.60 per share, for total proceeds of $21.5 million before the allocation of $0.6 million of issuance costs. The Company also recorded the Warrants within shareholders’ equity in accordance with ASC 815-40. The Warrants have customary anti-dilution provisions similar to the Convertible Notes. As a result of the issuance of the Warrants, the Company will experience dilution to its diluted earnings per share if its average closing stock price exceeds $29.60 for any fiscal quarter. The Warrants expire on various dates from October 2022 through February 2023 and must be net-settled in shares of the Company’s common stock. Therefore, upon exercise of the Warrants, the Company will issue shares of its common stock to the purchasers of the Warrants that represent the value by which the price of the common stock exceeds the strike price stipulated within the particular warrant agreement.

ABL Facility

On December 22, 2015, the Company entered into an Amended and Restated Loan Agreement among the Company, Horizon Global Americas Inc. (f/k/a Cequent Performance Products, Inc., successor by merger to Cequent Consumer Products, Inc.) ("HGA"), Cequent UK Limited, Cequent Towing Products of Canada Ltd., certain other subsidiaries of the Company party thereto as guarantors, the lenders party thereto and Bank of America, N.A., as agent for the lenders (the "ABL Loan Agreement"), under which the lenders party thereto agreed to provide the Company and certain of its subsidiaries with a committed asset-based revolving credit facility (the "ABL Facility") providing for revolving loans up to an aggregate principal amount of $99.0 million.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The ABL Loan Agreement establishes (i) a U.S. sub-facility, in an aggregate principal amount of up to $94.0 million (subject to availability under a U.S.-specific borrowing base) (the "U.S. Facility"), (ii) a Canadian sub-facility, in an aggregate principal amount of up to $2.0 million (subject to availability under a Canadian-specific borrowing base) (the "Canadian Facility"), and (iii) a U.K. sub-facility in an aggregate principal amount of up to $3.0 million (subject to availability under a U.K.-specific borrowing base) (the "U.K. Facility"). The ABL Facility also includes a $20.0 million U.S. letter of credit sub-facility, which matures on June 30, 2020.

Borrowings under the ABL Facility bear interest, at the Company's election, at either (i) with respect to the U.S. Facility and the U.K. Facility, (a) the Base Rate (as defined per the ABL Loan Agreement, the "Base Rate") plus the Applicable Margin (as defined per the ABL Loan Agreement "Applicable Margin"), or (b) the London Interbank Offered Rate ("LIBOR") plus the Applicable Margin, and (ii) with respect to the Canadian Facility, (a) the Base Rate plus the Applicable Margin, or (b) the Canadian Prime Rate (as defined per the ABL Loan Agreement).

The Company incurs fees with respect to the ABL Facility, including (i) an unused line fee of 0.25% times the amount by which the revolver commitments exceed the average daily revolver usage during any month, (ii) facility fees equal to the applicable margin in effect for (a) LIBOR Revolving Loans (as defined per the ABL Loan Agreement), with respect to the U.S. Facility and the U.K. Facility or (b) Canadian Base Rate Loans (as defined per the ABL Loan Agreement), with respect to the Canadian Facility, times the average daily stated amount of letters of credit, (iii) a fronting fee equal to 0.125% per annum on the stated amount of each letter of credit and (iv) customary administrative fees.

All of the indebtedness of the U.S. Facility is and will be guaranteed by the Company's existing and future material domestic subsidiaries and is and will be secured by substantially all of the assets of the Company and such guarantors. In connection with the ABL Loan Agreement, HGA and certain other subsidiaries of the Company party to the ABL Loan Agreement entered into a foreign facility guarantee and collateral agreement (the "Foreign Collateral Agreement") in order to secure and guarantee the obligation under the Canadian Facility and the U.K. Facility. Under the Foreign Collateral Agreement, HGA and the other subsidiaries of the Company party thereto granted a lien on certain of their assets to Bank of America, N.A., as the agent for the lenders and other secured parties under the Canadian Facility and U.K. Facility.

The ABL Loan Agreement contains customary negative covenants and does not include any financial maintenance covenants other than a springing minimum fixed charge coverage ratio of at least 1.00 to 1.00 on a trailing twelve-month basis, which will be tested only upon the occurrence of an event of default or certain other conditions as specified in the agreement. At December 31, 2018, the Company was in compliance with its financial covenants contained in the ABL Facility.

Debt issuance costs of approximately $2.5 million were incurred in connection with the entry into an amendment of the ABL Facility. These debt issuance costs will be amortized into interest expense over the contractual term of the loan. The Company recognized $0.5 million during each of the years ended December 31, 2018, December 31, 2017 and December 31, 2016, respectively, related to the amortization of debt issuance costs, which is included in the accompanying consolidated statements of operations. There were $0.8 million and $1.3 million of unamortized debt issuance costs included in other assets in the accompanying consolidated balance sheet as of December 31, 2018 and December 31, 2017, respectively.

There were $61.6 million and $10 million outstanding under the ABL Facility as of December 31, 2018 and December 31, 2017 with a weighted average interest rate of 4.4% and 3.6%, respectively. Total letters of credit issued under the ABL Facility at December 31, 2018 and 2017 were $3.4 million and $6.3 million, respectively. The Company had $10.3 million and $58.5 million in availability under the ABL Facility as of December 31, 2018 and 2017, respectively.

Term Loan

On June 30, 2015, the Company entered into a Credit Agreement among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A. (the "Term Loan Agreement") under which the Company borrowed an aggregate of $200.0 million ("Original Term B Loan"), which matures on June 30, 2021. On September 19, 2016, the Company entered into

the First Amendment to the Credit Agreement ("Term Loan Amendment"), which amended the Original Term B Loan to provide for incremental commitments in an aggregate principal amount of $152.0 million ("2016 Incremental Term Loans") that were extended to the Company on October 3, 2016. The Original Term B Loan and 2016 Incremental Term Loans are collectively referred to as "Term B Loan". On March 31, 2017, the Company entered into the 2017 Replacement Term Loan Agreement Amendment (Third Amendment to Credit Agreement) (the "2017 Replacement Term Loan Amendment"); the Term Loan Agreement, as amended by the Term Loan Amendment, the 2017 Replacement Term Loan Amendment and as otherwise amended prior to July 1, 2018, the "Amended Term Loan Agreement"), which replaced the Term B Loan to provide for a new term loan commitment (the "2017 Replacement Term

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Loan"). The proceeds from the 2017 Replacement Term Loan were used to repay in full the outstanding principal amount of the Term B Loan. As a result of the 2017 Replacement Term Loan Amendment, the interest rate was reduced by 1.5% per annum.

The Amended Term Loan Agreement permits the Company to request incremental term loan facilities, subject to certain conditions, in an aggregate principal amount, together with the aggregate principal amount of incremental equivalent debt incurred by the Company, of up to $75.0 million, plus an additional amount such that the Company's pro forma first lien net leverage ratio (as defined in the term loan agreement) would not exceed 3.50 to 1.00 as a result of the incurrence thereof.

Borrowings under the 2017 Replacement Loan bear interest, at the Company's election, at either (i) the Base Rate plus 3.5% per annum, or (ii) LIBOR, with a 1% floor, plus 4.5% per annum. Principal payments required under the Term B Loan are $2.6 million due each calendar quarter beginning June 2017.

During the first quarter of 2017, the Company used a portion of the net proceeds from the Convertible Notes offering as described above, along with proceeds from the Common Stock Offering as described in Note 15, "Earnings per Share", to prepay a total of $177.0 million of the Term B Loan. In accordance with ASC 470, "Debt - Modifications and Extinguishments", the prepayment was determined to be an extinguishment of the existing debt. As a result, the pro-rata share of the unamortized debt issuance costs and original issuance discount related to the prepayment, aggregating to $4.6 million, was recorded as a loss on the extinguishment of debt in the consolidated statements of operations. The remaining unamortized debt issuance costs and original issuance discount, including $2.4 million additional transactions fees incurred in connection to the Replacement Term Loan Amendment, was approximately $6.1 million. Both the aggregate debt issuance costs and the original issue discount will be amortized into interest expense over the remaining life of the Term B Loan. On February 16, 2018, the Company entered into an amendment to the 2017 Replacement Term Loan (the "February 2018 Replacement Term Loan Amendment"), which would have replaced the 2017 Replacement Term Loan to provide for a new term loan commitment in an original aggregate principal amount of $385.0 million (the "2018 Replacement Term Loan"). The proceeds from the 2018 Replacement Term Loan were to be used to (i) repay in full the outstanding principal amount of the existing term loans, (ii) to consummate the acquisition of Brink International B.V. and its subsidiaries (collectively, the "Brink Group") and pay a portion of the acquisition consideration thereof and the fees and expenses incurred in connection therewith, and (iii) for general corporate purposes. On June 14, 2018, the Company and H2 Equity Partners mutually agreed to terminate the Brink Group acquisition agreement. As part of the termination agreement, the Company agreed to pay a break fee of approximately $5.5 million to H2 Equity Partners and incurred $5.5 million of transaction fees during the year ended December 31, 2018, which are all included in selling, general and administrative expenses in the consolidated statements of operations. During the year ended December 31, 2018, the Company incurred $5.1 million of financing costs in connection with the pursuit of the Brink Group acquisition which are included in other expense, net in the consolidated statements of operations. Due to the termination of the Brink Group acquisition, the February 2018 Replacement Term Loan Amendment was not effective.

On July 31, 2018, the Company entered into the Fourth Amendment to Credit Agreement (the "Fourth Amendment"; the Amended Term Loan Agreement, as amended by the Fourth Amendment, the "2018 Term Loan Agreement"). The Fourth Amendment provided for additional borrowings of $50.0 million (the "2018 Incremental Term Loan"; the 2017 Replacement Term Loan as increased by the 2018 Incremental Term Loan, the "2018 Term B Loan") that were used to pay outstanding balances under the ABL Loan Agreement, pay fees and expenses in connection with the amendment and for general corporate purposes. Debt issuance costs of approximately $4.6 million were incurred in connection with the Fourth Amendment. These debt issuance costs will be amortized into interest expense over the contractual term of the loan. Borrowings under the 2018 Term B Loan bear interest, at the Company's election, at either (i) the Base Rate plus 5.0% per annum, or (ii) LIBOR, with a 1.0% floor, plus 6.0% per annum. Principal payments required under the 2018 Term B Loan are $2.6 million due each calendar quarter beginning September 2018. Under the 2018 Term Loan Agreement, commencing with the fiscal year ended December 31, 2017, and for each fiscal year thereafter, the Company is required to make prepayments of outstanding amounts under the Term B Loan in an

amount up to 75.0% of the Company's excess cash flow for such fiscal year, as defined in the 2018 Term B Loan, subject to adjustments based on the Company's leverage ratio and optional prepayments of term loans and certain other indebtedness.

The Company recognized $2.1 million, $1.6 million and $1.6 million during the years ended December 31, 2018, December 31, 2017 and December 31, 2016 related to the amortization of debt issuance costs and original issue discount, which is included in the accompanying consolidated statements of operations. The Company had an aggregate principal amount outstanding of $190.5 million and $149.6 million as of December 31, 2018 and 2017, respectively, under the Amended Term Loan Agreement bearing interest at 8.8% and 6.1%, respectively. The Company had $7.4 million and $4.9 million as of December 31, 2018 and 2017, respectively, of unamortized debt issuance costs and original issue discount, all of which are recorded as a reduction of the debt balance on the Company's consolidated balance sheet.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company's Term B Loan traded at approximately 92.2% and 101.4% of par value as of December 31, 2018 and December 31, 2017. The valuation of the Term B Loan was determined based on Level 2 inputs under the fair value hierarchy.

All of the indebtedness under the 2018 Term B Loan is and will be guaranteed by the Company's existing and future material domestic subsidiaries and is and will be secured by substantially all of the assets of the Company and such guarantors. The 2018 Term Loan Agreement contains customary negative covenants, and also contains a financial maintenance covenant which requires the Company to maintain a net leverage ratio, as defined in the agreement, not exceeding 7.00 to 1.00 on the last day of each fiscal quarter commencing with the fiscal quarter ending on June 30, 2018 and ending, and including, the fiscal quarter ending on December 31, 2018; 6.50 to 1.00 on the last day of the fiscal quarter ending March 31, 2019; 5.00 to 1.00 on the last day of the fiscal quarter ending June 30, 2019; 4.75 to 1.00 on the last day of the fiscal quarter ending September 30, 2019; and 4.50 to 1.00 on the last day of each fiscal quarter thereafter.

Covenant and Liquidity Matters

Refer to Note 22, "Subsequent Events," for additional information on the Company's ABL Facility, Term Loan and debt facilities and related covenants.

Bank facilities

On July 3, 2017, the Company's Australian subsidiaries entered into an agreement (collectively, the "Australia Loans") to provide for revolving borrowings. The Australia Loans included two sub-facilities: (i) Facility A, with a borrowing capacity of $18.3 million that matures on July 3, 2020 and (ii) Facility B, which was canceled on November 1, 2018. There were $2.9 million and $6.6 million outstanding under the Australian Loan as of December 31, 2018 and 2017, respectively.

Borrowings under Facility A bear interest at the Bank Bill Swap Bid Rate ("BBSY") plus a margin determined based on the most recent net leverage ratio (as defined per the Australian credit agreement). The margin is to be determined on the first day of the period as follows: (i) 1.10% per annum if the net leverage ratio is less than 1.50 to 1.00; (ii) 1.20% per annum if the net leverage ratio is less than 2.00 to 1.00 and (iii) 1.30% if the net leverage ratio is less than 2.50 to 1.00. Borrowings under Facility B bore interest at the BBSY plus a margin of 0.9% per annum.

The Australian Loans contain financial covenants, which require the Company's Australian subsidiaries to maintain: (i) a net leverage ratio as defined not exceeding 2.50 to 1.00 during the period commencing on the date of the agreement and ending on the first anniversary of the date of the agreement; and 2.00 to 1.00 thereafter; (ii) a working capital coverage ratio (as defined per the Australian credit agreement) greater than 1.75 to 1.00 at all times; and (iii) a gearing ratio (defined as the ratio of senior debt to senior debt plus equity) not to exceed 50%. At December 31, 2018, the Company was in compliance with its financial covenants under the Australian Loans.

Long-term Debt Maturities

Future maturities of the face value of long-term debt at December 31, 2018 are as follows:

Years ending December 31,	Future maturities of long-term debt (dollars in thousands)
2019	$ 13,860
2020	76,890
2021	170,000
2022	125,000
2023	—
Thereafter	10,330

Total	$ 396,080

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Derivative Instruments

Foreign Currency Exchange Rate Risk

As of December 31, 2018, the Company was party to forward contracts to hedge changes in foreign currency exchange rates with notional amounts of approximately $23.8 million. The Company uses foreign currency forward contracts to mitigate the risk associated with fluctuations in currency rates impacting cash flows related to certain payments for contract manufacturing in its lower-cost manufacturing facilities. The foreign currency forward contracts hedge currency exposure between the Mexican peso and the U.S. dollar and between the Australian dollar and the U.S. dollar and mature at specified monthly settlement dates through December 2019. At inception, the Company designated the foreign currency forward contracts as cash flow hedges. Upon the performance of contract manufacturing or purchase of certain inventories the Company de-designates the foreign currency forward contract.

On October 4, 2016, the Company entered into a cross currency swap arrangement to hedge changes in foreign currency exchange rates. As of December 31, 2018, the notional amount of the cross currency swap was approximately $110.0 million. The Company uses the cross currency swap to mitigate the risk associated with fluctuations in currency rates impacting cash flows related to a non-functional currency intercompany loan of €110.0 million. The cross currency swap hedged currency exposure between the euro and the U.S. dollar and matured on January 3, 2019 with a liability of $2.5 million. The company entered into forward contracts to settle the cross currency swap which resulted in a $0.9 million offset to the liability. These settlements resulted in a net realized gain reclassified from accumulated other comprehensive income (loss) (“AOCI”) of $0.6 million. The Company made quarterly principal payments of €1.4 million, plus interest at a fixed rate of 5.4% per annum, in exchange for $1.5 million, plus interest at a fixed rate of 7.2% per annum. At inception, the Company designated the cross currency swap as a cash flow hedge. Changes in the currency rate resulted in reclassification of amounts from accumulated other comprehensive income (loss) to earnings to offset the re-measurement gain or loss on the non-U.S. denominated intercompany loan.

On August 16, 2017, the Company’s Australian subsidiary entered into a cross currency swap arrangement to hedge changes in foreign currency exchange rates. As of December 31, 2018, the notional amount of the cross currency was approximately $3.4 million. The Australian subsidiary uses the cross currency swap to mitigate the risk associated with fluctuations in currency rates related to a non-U.S. functional currency intercompany loan of NZ$10.0 million. The floating-to-floating cross currency swap hedges currency exposure between the New Zealand dollar and the Australian dollar and matures on June 30, 2020. The Australian subsidiary makes quarterly principal payments of NZ$0.8 million, plus interest at the 3-month Bank Bill Benchmark Rate in New Zealand plus a margin of 0.3% per annum, in exchange for A$0.8 million, plus interest at the 3-month BBSY in Australia per annum. At inception, the cross currency swap was not designated as a hedging instrument.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Financial Statement Presentation
The fair value carrying amount of the Company's derivative instruments were recorded as follows:

	Balance Sheet Caption	Asset / (Liability) Derivatives	
		December 31, 2018	December 31, 2017
		(dollars in thousands)	
Derivatives designated as hedging instruments			
Foreign currency forward contracts	Prepaid expenses and other current assets	$1,910	$—
Foreign currency forward contracts	Accrued liabilities	—	(670)
Cross currency swap	Accrued Liabilities	(2,480)	—
Cross currency swap	Other long-term liabilities	—	(7,830)
Total derivatives designated as hedging instruments		(570)	(8,500)
Derivatives not designated as hedging instruments			
Foreign currency forward contracts	Prepaid expenses and other current assets	290	110
Foreign currency forward contracts	Accrued liabilities	—	(90)
Cross currency swap	Other assets	—	90
Cross currency swap	Accrued liabilities	(90)	—
Total derivatives de-designated as hedging instruments		200	110
Total derivatives		$(370)	$(8,390)

The following table summarizes the gain or loss recognized in AOCI and the amounts reclassified from AOCI into earnings and the amounts recognized directly into earnings:

	Amount of Gain (Loss) Recognized in AOCI on Derivative (Effective Portion, net of tax)		Location of Gain (Loss) Reclassified from AOCI into Earnings (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Earnings		
	December 31,			Year ended December 31,		
	2018	2017		2018	2017	2016
	(dollars in thousands)			(dollars in thousands)		
Derivative instruments						
Foreign currency forward contracts	$1,870	$(580)	Cost of sales	$1,070	$940	$(1,620)
Cross currency swap	$90	$270	Other expense, net	$5,330	$(15,820)	$7,510

Over the next 12 months, the Company expects to reclassify approximately $2.0 million of pre-tax deferred gains, related to the foreign currency forward contracts, from AOCI to cost of sales as the contract manufacturing and inventory purchases are settled. Over the next 12 months, the Company expects to reclassify approximately $0.1 million of pre-tax deferred gains, related to the cross currency swap, from AOCI to other expense, net as an offset to the re-measurement gains or losses on the non-U.S. denominated intercompany loan.
Derivatives not designated as hedging instruments

The gain or loss resulting from the change in fair value on de-designated forward contracts is reported within cost of sales on the Company's consolidated statements of operations. There was a $0.3 million loss on de-designated derivatives for the year ended December 31, 2018. There was no gain or loss on de-designated derivatives for the year ended December 31, 2017, and a $0.3 million gain for the year ended December 31, 2016. The gain or loss resulting from the change in fair value on the floating-to-floating cross currency swap is recorded within other expense, net on the Company's consolidated statements of operations. The loss on this cross currency swap was $0.2 million for the year ended December 31, 2018.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During May 2018, the Company entered into foreign currency option contracts known as zero-cost collars with an aggregate notional amount of €63.4 million to hedge changes in foreign currency related to the cash portion of the purchase price of the pending acquisition of the Brink Group; the acquisition was later terminated as described in Note 10 “Long-term Debt.” During June 2018, these zero-cost collar arrangements matured, resulting in a loss of $1.2 million which is included within other expense, net in the Company’s consolidated statements of operations for the year ended December 31, 2018.

Fair Value Measurements

The fair value of the Company’s derivatives are estimated using an income approach based on valuation techniques to convert future amounts to a single, discounted amount. The Company’s derivatives are recorded at fair value in its consolidated balance sheets and are valued using pricing models that are primarily based on market observable external inputs, including spot and forward currency exchange rates, benchmark interest rates, and discount rates consistent with the instrument’s tenor, and consider the impact of the Company’s own credit risk, if any. Changes in counterparty credit risk are also considered in the valuation of derivative financial instruments. Fair value measurements and the fair value hierarchy level for the Company’s assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 and December 31, 2017 are shown below:

	Frequency	Asset / (Liability)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(dollars in thousands)			
December 31, 2018					
Foreign currency forward contracts	Recurring	$2,200	$ —	$ 2,200	$ —
Cross currency swaps	Recurring	$(2,570)	$ —	$ (2,570)	$ —
December 31, 2017					
Foreign currency forward contracts	Recurring	$(650)	$ —	$ (650)	$ —
Cross currency swap	Recurring	$(7,740)	$ —	$ (7,740)	$ —

12. Restructuring

The Company’s restructuring activities are undertaken as necessary to execute management’s strategy and streamline operations, consolidate and take advantage of available capacity and resources, and ultimately achieve productivity improvements and net cost reductions. The Company's restructuring charges consist primarily of employee costs (principally severance and/or termination benefits) and facility closure and other costs.

To the extent these programs involve voluntary separations, no liabilities are generally recorded until offers to employees are accepted. If employees are involuntarily terminated, a liability is generally recorded at the communication date. Estimates of restructuring charges are based on information available at the time such charges are recorded. Related charges are recorded in cost of sales and selling, general and administrative expenses.

The following table provides a summary of the Company’s consolidated restructuring liabilities and related activity for each type of exit cost as of and for the years ended December 31, 2018:

	Employee Costs	Facility Closure and Other Costs	Total
	(dollars in thousands)		

Balances at December 31, 2017	1,850	5,190	7,040
Restructuring charges	10,440	2,680	13,120
Payments and other[1]	(7,300)	(2,750)	(10,050)
Balances at December 31, 2018	$4,990	$5,120	$10,110

[1]Other consists of changes in the liability balance due to foreign currency translation.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The $10.1 million restructuring liability at December 31, 2018 includes $7.5 million of accrued liabilities and $2.6 million of other long-term liabilities.

Restructuring expenses for the year ended December 31, 2018 primarily relate to the Americas aimed at reducing inefficiencies in indirect and fixed costs structure, coupled with the restructuring of certain of the executive management team including separation of the former CEO. In the first quarter of 2018, the Company announced plans to close its facility in Solon, Ohio along with an engineering center in Mosinee, Wisconsin. The activities at these locations have been consolidated and moved to the headquarters of the Horizon Americas segment, located in Plymouth, Michigan. During the second quarter of 2018, the Company finalized workforce consolidation plans related to the facility closures, as well as the corporate severance costs resulting from the management restructuring. We completed these programs in 2018.

Restructuring expenses incurred prior to December 31, 2017 primarily relate to America locations aimed at reducing production complexities and streamlining manufacturing operations and were completed by December 31, 2017.

13. Commitments

The Company leases certain equipment and facilities under non-cancellable operating leases. Rental expense for the Company totaled approximately $21.8 million in 2018, $20.0 million in 2017 and $16.8 million in 2016.

Minimum payments for operating leases having initial or remaining non-cancellable lease terms in excess of one year at December 31, 2018 are summarized below (in thousands):

December 31,	Minimum payments (dollars in thousands)
2019	$ 15,820
2020	14,790
2021	12,590
2022	7,900
2023	4,830
Thereafter	13,090
Total	$ 69,020

14. Contingencies

During the fourth quarter of 2018, the Company was notified by two OEM customers of potential claims related to product sold by Horizon Europe-Africa arising from potentially faulty components provided by a supplier. The claims resulted from the failure of products not functioning to specifications, but the claims do not allege any damage and only seek replacement of the product. One of the claims has since resulted in a recall campaign while the manner in which the other claim will be resolved is pending. The Company performed an assessment of the facts and circumstances for all asserted and unasserted claims and considered all factors including the Company’s recall insurance. Based on this assessment, the Company determined the probable range of the liability to be between $12.3 million and $20.0 million, with no amount within that range a better estimate than any other amount. As a result, the Company recorded a liability of $12.3 million and an asset of $10.8 million as of December 31, 2018. The asset recorded represents the amount the Company believes is probable of recovery and has appropriate legal basis for recovery in accordance with its recall insurance policy. The Company cannot give any assurances that the final resolution of the claims, if adverse to the Company, will not have a material adverse effect to our financial position, results of operations or cash flows.

15. Earnings (Loss) per Share

Basic earnings (loss) per share is computed using net income (loss) attributable to Horizon Global and the number of weighted average shares outstanding. Diluted earnings (loss) per share is computed using net income (loss) attributable to Horizon Global and the number of weighted average shares outstanding, adjusted to give effect to the

assumed exercise of outstanding stock options and warrants, vesting of restricted shares outstanding, and conversion of the Convertible Notes.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth the reconciliation of the numerator and the denominator of basic loss per share attributable to Horizon Global and diluted loss per share attributable to Horizon Global:

	Year Ended December 31,		
	2018	2017	2016
	(dollars in thousands, except for per share amounts)		
Numerator:			
Net loss attributable to Horizon Global	$(203,960)	$ (3,550)	$ (12,360)
Denominator:			
Weighted average shares outstanding, basic	25,053,013	24,781,349	18,775,500
Dilutive effect of stock-based awards	—	—	—
Weighted average shares outstanding, diluted	25,053,013	24,781,349	18,775,500
Basic loss per share attributable to Horizon Global	$(8.14)	$ (0.14)	$ (0.66)
Diluted loss per share attributable to Horizon Global	$(8.14)	$ (0.14)	$ (0.66)

Due to net losses for the years ended December 31, 2018, 2017 and 2016, the effect of certain dilutive securities were excluded from the computation of weighted average diluted shares outstanding, as inclusion would have resulted in anti-dilution. A summary of these anti-dilutive common stock equivalents is provided in the table below:

	Year Ended December 31,		
	2018	2017	2016
Number of options	240,647	343,782	331,485
Exercise price of options	$9.20 - $11.29	$9.20 - $11.29	$9.20 - $11.29
Restricted stock units	646,336	584,335	526,751
Convertible Notes	5,005,000	4,566,205	—
Warrants	5,005,000	4,566,205	—

For purposes of determining diluted loss per share, the Company has elected a policy to assume that the principal portion of the Convertible Notes, as described in Note 10, “Long-term Debt,” is settled in cash and the conversion premium is settled in shares. Therefore, the Company has adopted a policy of calculating the diluted loss per share effect of the Convertible Notes using the treasury stock method. As a result, the dilutive effect of the Convertible Notes is limited to the conversion premium, which is reflected in the calculation of diluted earnings loss per share as if it were a freestanding written call option on the Company’s shares. Using the treasury stock method, the Warrants issued in connection with the issuance of the Convertible Notes are considered to be dilutive when they are in the money relative to the Company’s average common stock price during the period. The Convertible Note Hedges purchased in connection with the issuance of the Convertible Notes are always considered to be anti-dilutive and therefore do not impact the Company’s calculation of diluted loss per share.

On February 1, 2017, the Company completed an underwritten public offering of 4.6 million shares of common stock, which includes the exercise in full by the underwriters of their option to purchase 0.6 million shares of common stock, at a public offering price of $18.50 per share (the “Common Stock Offering”). Proceeds from the Common Stock Offering were approximately $79.9 million, net of underwriting discounts, commissions, and offering-related transaction costs.

16. Equity Awards

Description of the Plan

Horizon employees and non-employee directors participate in the Horizon Global Corporation 2015 Equity and Incentive Compensation Plan (as amended and restated, the “Horizon 2015 Plan”). The Horizon 2015 Plan authorizes the Compensation Committee of the Horizon Board of Directors to grant stock options (including “incentive stock options” as defined in Section 422 of the U.S. Internal Revenue Code), restricted shares, restricted stock units,

performance shares, performance stock units, cash incentive awards, and certain other awards based on or related to our common stock to Horizon employees and non-employee

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

directors. No more than 4.4 million Horizon common shares may be delivered under the Horizon 2015 Plan.

Stock Options

The following table summarizes Horizon stock option activity from December 31, 2017 to December 31, 2018:

	Number of Stock Options	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2017	338,349	$ 10.38	—	—
Granted	—	—	—	—
Exercised	—	—	—	—
Canceled, forfeited	(245,382)	10.37	—	—
Expired	—	—	—	—
Outstanding at December 31, 2018	92,967	$ 10.40	4.6	$ —

As of December 31, 2018, the unrecognized compensation cost related to stock options is immaterial. For the year ended December 31, 2018, the stock-based compensation expense recognized by the Company related to stock options was immaterial. The Company recognized approximately $0.3 million and $0.8 million of stock-based compensation expense related to stock options for the years ended December 31, 2017 and 2016, respectively. There was no aggregate intrinsic value on the outstanding options at December 31, 2018. Stock-based compensation expense is included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

Restricted Shares

During 2018, the Company granted an aggregate of 477,963 restricted stock units and performance stock units to certain key employees and non-employee directors. The total grants consisted of: (i) 5,680 time-based restricted stock units that vested on July 1, 2018; (ii) 43,799 time-based restricted stock units that vest ratably on (1) March 1, 2019, (2) March 1, 2020 and (3) March 1, 2021; (iii) 101,204 time-based restricted stock units that vest ratably on (1) March 1, 2019, (2) March 1, 2020, (3) March 1, 2021 and (4) March 1, 2022; (iv) 145,003 market-based performance stock units that vest on March 1, 2021; (v) 43,416 time-based restricted stock units that vest on March 1, 2021; (vi) 17,575 time-based restricted stock units that vest on May 8, 2019; (vii) 84,210 time-based restricted stock units that vest on May 15, 2018; (viii) 11,404 time-based restricted stock units that vest on May 15, 2020; (ix) 14,472 time-based restricted stock units that vest on August 1, 2020; (x) 8,400 time-based restricted stock units that vest on October 1, 2020; and (xi) 2,800 time-based restricted stock units that vest on December 3, 2020.

During 2017, the Company granted an aggregate of 185,423 restricted stock units and performance stock units to certain key employees and non-employee directors. The total grants consisted of: (i) 22,449 time-based restricted stock units that vest ratably on (1) March 1, 2018, (2) March 1, 2019 and (3) March 1, 2020; (ii) 50,416 time-based restricted stock units that vest ratably on (1) March 1, 2018, (2) March 1, 2019, (3) March 1, 2020 and (4) March 1, 2021; (iii) 72,865 market-based performance stock units that vest on March 1, 2020 (the “2017 PSUs”); (iv) 33,426 time-based restricted stock units that vest on July 1, 2018, and (v) 6,267 time-based restricted stock units that vest on July 1, 2019.

The performance criteria for the market-based performance stock units is based on the Company’s total shareholder return (“TSR”) relative to the TSR of the common stock of a pre-defined industry peer group. For the 2018 PSUs, TSR is measured over a period beginning January 1, 2018 and ending December 31, 2020. For the 2017 PSUs, TSR is measured over a period beginning January 1, 2017 and ending December 31, 2019. TSR is calculated as the Company’s average closing stock price for the 20-trading days at the end of the performance period plus Company dividends, divided by the Company’s average closing stock price for the 20-trading days prior to the start of the performance period. Depending on the performance achieved, the amount of shares earned can vary from 0% of the target award to a maximum of 200% of the target award. The Company estimated the grant-date fair value of the awards subject to a market condition using a Monte Carlo simulation model, using the following weighted-average assumptions: risk-free interest rate of 2.34% and 1.52% for the 2018 PSUs and 2017 PSUs, respectively, and

annualized volatility of 37.4% and 38.5% for the 2018 PSUs and 2017 PSUs, respectively. Due to the lack of adequate stock price history of Horizon common stock, the volatility is based on the median of the peer group. The grant date fair value of the performance stock units were $7.08 and $18.41 for the 2018 PSUs and 2017 PSUs, respectively.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The grant date fair value of restricted stock units is expensed over the vesting period. Restricted stock unit fair values are based on the closing trading price of the Company's common stock on the date of grant. Changes in the number of restricted stock units outstanding for the year ended December 31, 2018 were as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2017	582,611	$ 13.51
Granted	477,963	7.43
Vested	(331,456)	11.67
Canceled, forfeited	(309,190)	11.12
Outstanding at December 31, 2018	419,928	$ 9.75

As of December 31, 2018, there was $1.6 million in unrecognized compensation costs related to unvested restricted stock units that is expected to be recognized over a weighted average period of 1.8 years.

The Company recognized approximately $1.6 million, $3.3 million and $3.0 million of stock-based compensation expense related to restricted shares during the years ended December 31, 2018, 2017 and 2016, respectively. Stock-based compensation expense is included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

17. Shareholders' Equity

Preferred Stock

The Company is authorized to issue 100,000,000 shares of Horizon Global preferred stock, par value of $0.01 per share. There were no preferred shares outstanding at December 31, 2018 or December 31, 2017.

Common Stock

The Company is authorized to issue 400,000,000 shares of Horizon Global common stock, par value of $0.01 per share. At December 31, 2018, there were 25,866,747 shares of common stock issued and 25,180,241 shares of common stock outstanding. At December 31, 2017, there were 25,625,571 shares of common stock issued and 24,939,065 outstanding.

Share Repurchase Program

In April 2017, the Board of Directors authorized a share repurchase program of up to 1.5 million shares of the Company's issued and outstanding common stock during the period beginning on May 5, 2017 and ending May 5, 2020 (the "Share Repurchase Program"). The Share Repurchase Program provides for share purchases in the open market or otherwise, depending on share price, market conditions and other factors, as determined by the Company. In addition, the Company's ABL Loan Agreement and Term B Loan place certain limitations on the Company's ability to repurchase its common stock. As of December 31, 2018, cumulative shares purchased totaled 686,506 at an average purchase price per share of $14.55, excluding commissions. The repurchased shares are presented as treasury stock, at cost, on the consolidated balance sheets.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Changes in AOCI attributable to Horizon Global by component, net of tax, for the years ended December 31, 2018, 2017, and 2016 are summarized as follows:

	Derivative Instruments	Foreign Currency Translation and Other	Total
	(dollars in thousands)		
Balances at January 1, 2016	$ (710)	$ 3,180	$2,470
Net unrealized losses arising during the period [a]	3,170	(10,590)	(7,420)
Less: Net realized losses reclassified to net income [b]	3,390	—	3,390
Net current-period change	(220)	(10,590)	(10,810)
Balances at December 31, 2016	(930)	(7,410)	(8,340)
Net unrealized gains (losses) arising during the period [a]	(8,810)	17,810	9,000
Less: Net realized gains reclassified to net income [b]	(9,350)	—	(9,350)
Net current-period change	540	17,810	18,350
Balances at December 31, 2017	(390)	10,400	10,010
Impact of ASU 2018-02	80	480	560
Balances at December 31, 2017, as restated	(310)	10,880	10,570
Net unrealized gains (losses) arising during the period [a]	7,440	(5,080)	2,360
Less: Net realized losses reclassified to net income [b]	5,170	—	5,170
Net current-period change	2,270	(5,080)	(2,810)
Balances at December 31, 2018	$ 1,960	$ 5,800	$7,760

[a] Derivative instruments, net of income tax benefit (expense) of $(1.4) million, $5.2 million, and $(2.5) million for the years ended December 31, 2018, 2017, and 2016, respectively. See Note 11, “Derivative Instruments,” for further details.

[b] Derivative instruments, net of income tax benefit (expense) of $1.3 million, $5.5 million, and $(2.5) million for the years ended December 31, 2018, 2017, and 2016, respectively. See Note 11, “Derivative Instruments,” for further details.

18. Segment Information

The Company groups its business into operating segments by the region in which sales and manufacturing efforts are focused, which are grouped on the basis of similar product, market and operating factors. Each operating segment has discrete financial information evaluated regularly by the Company’s chief operating decision maker in determining resource allocation and assessing performance. The Company reports the results of its business in three operating segments: Horizon Americas, Horizon Europe Africa, and Horizon Asia Pacific. Horizon Americas is comprised of the Company’s North American and South American operations. Horizon Europe Africa is comprised of the European and South African operations, while Horizon Asia Pacific is comprised of the Australia, Thailand, and New Zealand operations. See below for further information regarding the types of products and services provided within each operating segment.

Horizon Americas - A market leader in the design, manufacture and distribution of a wide variety of high-quality, custom engineered towing, trailering and cargo management products and related accessories. These products are designed to support OEMs, OESs, aftermarket and retail customers in the agricultural, automotive, construction, industrial, marine, military, recreational vehicle, trailer and utility end markets. Products include brake controllers, cargo management, heavy-duty towing products, jacks and couplers, protection/securing systems, trailer structural and electrical components, tow bars, vehicle roof racks, vehicle trailer hitches and additional accessories.

Horizon Europe Africa - With a product offering similar to Horizon Americas, Horizon Europe Africa focuses its sales and manufacturing efforts in the Europe and Africa regions of the world.

Horizon Asia Pacific - With a product offering similar to Horizon Americas, Horizon Asia Pacific focuses its sales and manufacturing efforts in the Asia-Pacific region of the world.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Segment activity is as follows:

	Year ended December 31,		
	2018	2017	2016
	(dollars in thousands)		
Net Sales			
Horizon Americas	$390,690	$439,700	$443,240
Horizon Europe Africa	323,260	325,970	104,080
Horizon Asia Pacific	136,000	127,310	101,880
Total	$849,950	$892,980	$649,200
Operating Profit (Loss)			
Horizon Americas	$(6,850)	$44,060	$38,680
Horizon Europe Africa	(148,630)	(1,790)	(13,320)
Horizon Asia Pacific	20,250	18,740	11,230
Corporate	(35,160)	(26,250)	(30,290)
Total	$(170,390)	$34,760	$6,300
Capital Expenditures			
Horizon Americas	$6,760	$10,150	$5,550
Horizon Europe Africa	4,500	13,190	4,670
Horizon Asia Pacific	2,610	2,440	3,310
Corporate	—	1,510	1,010
Total	$13,870	$27,290	$14,540
Depreciation and Amortization			
Horizon Americas	$8,160	$10,660	$10,750
Horizon Europe Africa	12,090	10,110	3,290
Horizon Asia Pacific	4,800	4,310	4,090
Corporate	330	260	90
Total	$25,380	$25,340	$18,220

	December 31,	
	2018	2017
	(dollars in thousands)	
Total Assets		
Horizon Americas	$219,680	$209,210
Horizon Europe - Africa	173,980	341,750
Horizon Asia Pacific	119,590	88,210
Corporate	8,100	21,860
Total	$521,350	$661,030

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables present the Company's net sales and net fixed assets attributed to each subsidiary's continent of domicile:

	Year ended December 31,		
	2018	2017	2016
	(dollars in thousands)		
Net Sales			
Total U.S.	$380,480	$423,090	$428,770
Non-U.S.			
Australia	69,440	69,760	60,020
Germany	186,430	194,120	52,350
Other Europe	117,960	114,940	39,520
Asia	67,420	58,140	41,940
Africa	19,880	16,320	12,130
Other Americas	8,340	16,610	14,470
Total non-U.S.	469,470	469,890	220,430
Total	$849,950	$892,980	$649,200

	December 31,	
	2018	2017
	(dollars in thousands)	
Property and equipment, net		
Total U.S.	$26,560	$5,770
Non-U.S.		
Australia	8,480	10,730
Germany	43,010	48,400
United Kingdom	620	22,920
Other Europe	8,820	9,830
Asia	7,370	7,720
Africa	5,320	5,260
Other Americas	2,100	2,390
Total non-U.S.	75,720	107,250
Total	$102,280	$113,020

The Company's export sales from the U.S. approximated $44.3 million, $34.6 million and $32.6 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The following table presents the Company's net sales contributed by product group:

	Year ended December 31,		
	2018	2017	2016
Towing	68.5 %	70.3 %	62.7 %
Trailering	16.1 %	16.8 %	21.5 %
Cargo Management	6.2 %	6.3 %	8.9 %
Other	9.2 %	6.6 %	6.9 %
	100.0%	100.0%	100.0%

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Income Taxes

The Company's income (loss) before income tax, by tax jurisdiction, consisted of the following:

	Year ended December 31,		
	2018	2017	2016
	(dollars in thousands)		
Domestic	$(43,200)	$(3,880)	$(14,630)
Foreign	(168,060)	8,860	(1,760)
Income (loss) before income tax	$(211,260)	$4,980	$(16,390)

The income tax benefit (expense) is comprised of:

	Year ended December 31,		
	2018	2017	2016
	(dollars in thousands)		
Current income tax benefit (expense):			
Federal	$10,070	$(7,680)	$(1,170)
State and local	(190)	(240)	(970)
Foreign	(7,880)	(2,190)	(2,560)
Total current income tax expense	2,000	(10,110)	(4,700)
Deferred income tax benefit (expense):			
Federal	(1,870)	(3,000)	3,800
State and local	160	(390)	450
Foreign	6,070	3,750	4,180
Total deferred income tax benefit	4,360	360	8,430
Income tax benefit (expense)	$6,360	$(9,750)	$3,730

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of deferred taxes are as follows:

	December 31,	
	2018	2017
	(dollars in thousands)	
Deferred tax assets:		
Receivables, net	$980	$460
Inventories	3,610	3,280
Accrued liabilities and other long-term liabilities	10,410	10,600
Tax loss and credit carryforwards	26,720	12,930
Gross deferred tax asset	41,720	27,270
Valuation allowances	(26,650)	(10,560)
Net deferred tax asset	15,070	16,710
Deferred tax liabilities:		
Property and equipment, net	(5,470)	(4,300)
Intangibles, net	(18,670)	(19,710)
Other	(2,390)	(3,280)
Gross deferred tax liability	(26,530)	(27,290)
Net deferred tax liability	$(11,460)	$(10,580)

ASC 740 “Income Taxes” requires that companies assess whether a valuation allowance should be established based on the consideration of all available evidence using a “more likely than not” standard. In making such judgments, significant weight is given to evidence that can be objectively verified. A cumulative loss in recent years is significant negative evidence in considering whether deferred tax assets are realizable and also restricts the amount of reliance that can be placed on projections of future taxable income to support the recovery of deferred tax assets. Given the recent decline in U.S. gross profit the Company is in a three-year cumulative pre-tax loss position. Therefore, during the fourth quarter of 2018, the Company recorded a valuation allowance of $8.8 million against its U.S. deferred tax assets. In addition, due to certain foreign jurisdictions being in three-year cumulative pre-tax loss position, the Company also recorded valuation allowance of $5.7 million against certain of its deferred tax assets. The ultimate realization of these deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Changes in existing tax laws could also affect actual tax results and the valuation of deferred tax assets over time. The accounting for deferred taxes is based upon an estimate of future results. Differences between the anticipated and actual outcomes of these future tax consequences could have a material impact on the Company’s consolidated results of operations or financial position.

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following is a reconciliation of our provision for income taxes to income tax benefit (expense) computed at the U.S. federal statutory rate:

	Year ended December 31,		
	2018	2017	2016
	(dollars in thousands)		
U.S. federal statutory rate	21 %	35 %	35 %
Tax at U.S. federal statutory rate	$44,360	$(1,740)	$5,730
State and local taxes, net of federal tax benefit	1,500	(340)	(340)
Differences in statutory foreign tax rates	13,180	3,680	1,230
Uncertain tax positions	2,680	3,950	1,260
Tax holiday[1]	—	950	460
Withholding taxes	(990)	(300)	(300)
Tax credits	3,980	590	(70)
Net change in valuation allowance	(19,210)	(3,020)	(1,600)
Transaction costs	—	(1,610)	(2,670)
Tax reform/SAB 118 true-up	(2,280)	(11,850)	—
Goodwill	(36,580)	—	—
Other, net	(280)	(60)	30
Income tax benefit (expense)	$6,360	$(9,750)	$3,730

[1] Tax holiday related to Thailand which expired on December 31, 2017.

The Company has recorded deferred tax assets on $23.2 million of various state operating loss carryforwards and $75.4 million of various foreign operating loss carryforwards. The majority of the state tax loss carryforwards expire between 2030 - 2038 and the majority of foreign losses have indefinite carryforward periods.

No deferred taxes have been provided for taxes that would result upon repatriation of our foreign investments to the U.S. as it is the practice and intention of the Company to reinvest the earnings of its non-U.S. subsidiaries in those operations or should not give rise to additional income tax liabilities as a result of the distribution of such earnings.

Uncertain Tax Positions

The Company has approximately $5.7 million and $7.3 million of uncertain tax positions (“UTPs”) as of December 31, 2018 and 2017, respectively. If the UTPs were recognized, the impact to the Company’s effective tax rate would be to reduce reported income tax expense for the years ended December 31, 2018 and 2017 approximately $5.7 million and $7.3 million, respectively.

A reconciliation of the change in the UTPs and related accrued interest and penalties for the years ended December 31, 2018 and 2017 is as follows:

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Uncertain Tax Positions (dollars in thousands)
Balance at December 31, 2016	$ 8,850
Tax positions related to current year:	
Additions	—
Reductions	—
Tax positions related to prior years:	
Additions	50
Reductions	(30)
Lapses in the statutes of limitations	(2,110)
Cumulative Translation Adjustment	550
Balance at December 31, 2017	$ 7,310
Tax positions related to current year:	
Additions	—
Reductions	—
Tax positions related to prior years:	
Additions	270
Reductions	—
Settlements	—
Lapses in the statutes of limitations	(1,580)
Cumulative Translation Adjustment	(340)
Balance at December 31, 2018	$ 5,660

The Company recognizes interest accrued related to UTPs and penalties as income tax expense. Related to the UTPs noted above, the Company has a current benefit of $1.4 million related to interest and penalties incurred during 2018, and recognized a liability for interest and penalties of $1.4 million as of December 31, 2018. During 2017, the Company had accrued penalties and interest of $2.1 million and recognized a liability for interest and penalties of $3.4 million.

The decrease in UTPs and liabilities for interest and penalties for tax positions related to prior years is primarily related to the roll-off of certain statutes of limitations and changes in currency exchange rates during 2017 and 2018. Income tax returns are filed in multiple domestic and foreign jurisdictions, which are subject to examinations by taxing authorities. As of December 31, 2018, the Company is subject to U.S. federal tax examination for tax years 2015 through 2018. The Company is subject to state, local, and foreign income tax examinations for tax years 2010 through 2018. The Company does not believe that the results of these examinations will have a significant impact on the Company's tax position or its effective tax rate.

Management monitors changes in tax statutes and regulations and the issuance of judicial decisions to determine the potential impact to UTPs. As of December 31, 2018, the Company estimated that approximately $0.8 million of UTPs in foreign jurisdictions is expected to be released in the next twelve months.

Other Matters

On December 22, 2017, the Act was signed into law. The Act changed many aspects of corporate income taxation, including the reduction of the corporate income tax rate from 35% to 21% and imposition of a one-time tax on deemed repatriated earnings of foreign subsidiaries.

The SEC issued a Staff Accounting Bulletin No. 118 ("SAB 118"), which allows a provisional estimate when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the

accounting for certain income tax effects of the Act. SAB 118 allows for adjustments to provisional amounts during a measurement period of up to one year. In accordance with SAB 118, the Company has made reasonable estimates related to the liability associated with the transition

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

tax, the remeasurement of U.S. deferred tax balances and other deferred tax adjustments based on provisions of the Act. As a result, the Company has recognized income tax expense of $11.9 million associated with these items in 2017.

Further analysis was completed related to the provisional estimates recorded at December 31. 2017 under SAB 118 based on guidance provided by the Internal Revenue Service and Department of Treasury in notices and regulations. The company finalized the Transition Tax liability calculation and corresponding allowable foreign tax credit during 2018 and adjusted its December 31, 2017 provisional amount by an additional tax expense of $2.3 million. The balance of the 2018 Transition Tax liability was determined to be satisfied with existing U.S. tax attributes resulting in no current income tax payable. No additional adjustment was required under SAB118.

The Act includes new U.S. provisions, the global intangible low-taxed income ("GILTI") provision, the base-erosion and anti-abuse tax ("BEAT") provision and a limitation to the deductibility of interest expense. GILTI requires the Company to include in its U.S. income tax return non-U.S. subsidiary earnings in excess of an allowable return on the non-U.S. subsidiary's tangible assets. BEAT eliminates the deduction of certain base-erosion payments made to related non-U.S. corporations, and imposes a minimum tax if the amount is greater than the regular tax. GILTI will apply to the Company starting in tax year 2019 due to the fiscal year end of the foreign subsidiaries. The company has elected to treat GILTI as a period cost. The Company is not subject to BEAT based on the level of gross receipts. The Company's interest deduction is not limited based on the new interest deductibility rules in 2018.

20. Other Expense, Net

Other expense, net consists of the following components:

	Year ended December 31,		
	2018	2017	2016
	(dollars in thousands)		
Brink acquisition ticking fee	$5,130	$—	$—
Brazil acquisition indemnification asset	4,300	1,520	1,500
Customer pay discounts	1,600	1,540	1,210
Foreign currency (gain) / loss	960	800	(480)
Accretion arising from lease recovery	240	270	320
Gain on sale of Broom & Brush	—	(1,300)	—
Currency option premium purchase	—	—	840
Other	900	(100)	(780)
Total other expense, net	$13,130	$2,730	$2,610

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Summary Quarterly Financial Data

	Three months ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
	(unaudited, dollars in thousands, except for per share data)			
Net sales	$216,810	$233,340	$ 227,840	$ 171,960
Gross profit	$38,450	$47,570	$ 43,620	$ 14,240
Net loss	$(57,760)	$(67,160)	$ (33,000)	$ (46,980)
Net loss attributable to Horizon Global	$(57,510)	$(66,930)	$ (32,760)	$ (46,760)
Net loss per share attributable to Horizon Global:				
Basic	$(2.30)	$(2.68)	$ (1.31)	$ (1.86)
Diluted	$(2.30)	$(2.68)	$ (1.31)	$ (1.86)

	Three months ended			
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
	(unaudited, dollars in thousands, except for per share data)			
Net sales	$203,280	$253,590	$ 240,120	$ 195,990
Gross profit	$45,390	$67,670	$ 58,420	$ 36,120
Net income (loss)	$(10,160)	$19,970	$ 6,560	$ (21,140)
Net income (loss) attributable to Horizon Global	$(9,860)	$20,260	$ 6,890	$ (20,840)
Net income (loss) per share attributable to Horizon Global:				
Basic	$(0.41)	$0.80	$ 0.28	$ (0.84)
Diluted	$(0.41)	$0.79	$ 0.27	$ (0.84)

22. Subsequent Events

On March 1, 2019, the Company entered into an agreement of sale of certain business assets in its Europe-Africa operating segment, via a share and asset sale (the “Sale”). Under the terms of the Sale, effective March 1, 2019, the Company disposed of certain non-automotive business assets, including the trade name, that operated using the Terwa brand for $5.5 million. The Sale will be accounted for in the first quarter of 2019, pending customary closing conditions.

Senior Term Loan Agreement

On February 20, 2019, the Company entered into a Credit Agreement (the “Senior Term Loan Agreement”) with Cortland Capital Markets Services LLC, as administrative agent and collateral agent, and the lenders party thereto. The Senior Term Loan Agreement provided for a short-term loan facility in the aggregate principal amount of $10.0 million, all of which was borrowed by the Company. Certain of the lenders under the Company’s Term Loan Agreement, are the lenders under the Senior Term Loan Agreement.

The Senior Term Loan Agreement required the Company to obtain additional financing in amounts and on terms acceptable to the lenders. Borrowings under the Senior Term Loan Agreement originally matured on March 7, 2019, but were extended to March 15, 2019. The Senior Term Loan Agreement was repaid on March 15, 2019, in conjunction with the additional financing further detailed below.

Second Lien Term Loan Agreement

On March 15, 2019, the Company entered into a Credit Agreement (the “Second Lien Term Loan Agreement”) with Cortland Capital Markets Services LLC, as administrative agent and collateral agent, and certain funds managed by Corre Partners Management LLC and any assignees thereof as the lenders. The Second Lien Term Loan Agreement provides for a term loan facility in the aggregate principal amount of $51.0 million and matures on September 30, 2021. The Second Lien Term Loan Agreement is secured by a second lien on substantially the same collateral as the

Term B Loan, bears an interest rate of LIBOR

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

plus 11.5% payable in kind through an increase in principal balance, and is subject to various affirmative and negative covenants including a secured net leverage ratio tested quarterly, commencing with the fiscal quarter ending on December 31, 2019, which shall not exceed (x) 6.75 to 1.00 as of the last day of any fiscal quarter ending on or prior to June 30, 2020 and (y) 5.25 to 1.00 as of the last day of any fiscal quarter ending on or after September 30, 2020. Pursuant to the Second Lien Term Loan Agreement, the Company will issue 6.25 million detachable warrants to purchase common stock of the Company, which can be exercised on a cashless basis with a 5-year term with an exercise price of $1.50 per share. A portion of the warrants will not be issued unless approved by a shareholder vote, and 18% interest paid in kind preferred stock will be issued in the interim and will be cancelled and converted into warrants upon receipt of shareholder approval.

In connection with the entry into the Second Lien Term Loan Agreement, we agreed to appoint four new members to our board of directors within seven business days of closing, and that the four new members of our board will constitute a majority of our board of directors.

The proceeds, net of applicable fees, of the Second Lien Term Loan Agreement were used to repay the Senior Term Loan Agreement and to provide additional liquidity and working capital for the Company.

Term Loan Agreement

On February 20, 2019, the Company entered into the Fifth Amendment to Credit Agreement (the “Fifth Term Amendment”) to amend the Term Loan Agreement to permit the Company to enter into the Senior Term Loan Agreement and tightened certain indebtedness, asset sale, investment and restricted payment baskets.

On March 15, 2019, the Company entered into the Sixth Amendment to Credit Agreement (the “Sixth Term Amendment”) to amend the Term Loan Agreement to permit the Company to enter into the Second Lien Term Loan Agreement, which amended certain financial covenants to provide for relief based on the Company’s 2018 results and 2019 budget, and to make certain other affirmative and negative covenants more restrictive.

The prior net leverage covenant ratio was eliminated and replaced with a first lien leverage covenant starting with the 12-month period ending September 2019 as follows:

September 30, 2019: 8.25:1.00
December 31, 2019: 6.25:1.00
March 31, 2020: 5.50:1.00
June 30, 2020: 5.00:1.00
September 30, 2020 and each fiscal quarter ending thereafter: 4.75:1.00

The Sixth Term Amendment also adds a fixed charge coverage covenant starting with fiscal quarter ending March 31, 2020, a minimum liquidity covenant of $15.0 million starting March 31, 2019, and a maximum capital expenditure covenant of $15.0 million for 2019 and $25.0 million annually thereafter. The interest rate on the Term Loan Agreement is also amended to add 3.0% paid in kind interest in addition to the existing cash pay interest.

Because of the Sixth Term Amendment, the Company is in compliance with all of its financial covenants as of the period ending December 31, 2018.

ABL Facility

On February 20, 2019, the Company entered into the Fourth Amendment to amend the ABL Loan Agreement (the “Fourth ABL Amendment”). The Fourth ABL Amendment, among other modifications, permitted the Company to enter into the Senior Term Loan Agreement and make certain indebtedness, asset sale, investment and restricted payment baskets covenants more restrictive.

On March 7, 2019, the Company entered into the Fifth Amendment to amend the ABL Loan Agreement (the “Fifth ABL Amendment”). The Fifth ABL Amendment allowed for the extension of the Senior Term Loan Agreement to March 15, 2019.

On March 15, 2019, the Company entered into the Sixth Amendment to amend the ABL Loan Agreement (the “Sixth ABL Amendment”). The Sixth ABL Amendment allowed for the Company to enter into the Second Lien Term Loan Agreement and

84

Table of Contents
HORIZON GLOBAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

provided for certain other modifications of the ABL Loan Agreement. In particular, the ABL Loan Agreement was modified to (a) increase the interest rate by 1%, (b) reduce the total facility size to $90.0 million, and to limit ability to add debt in the future.

Covenant and Liquidity Matters

As a result of the above series of modifications and additional debt facilities and our current forecast through March 2020, the Company believes it has sufficient liquidity to operate its business. In addition to meeting its working capital needs, the Sixth Term Amendment requires the Company to raise a minimum of $100.0 million through a combination of asset sales, junior debt, or equity raise to make a contractually obligated prepayment of the Term Loan on or before March 31, 2020. We are currently evaluating all strategic alternatives related to the options to raise the funds necessary to comply with this contractual prepayment obligation. If we cannot generate the required cash, we may not be able to make the necessary payments required under our debt as of March 31, 2020, which would result in an event of default. Such a default, if not cured, would allow the lenders to accelerate the maturity of the debt, making it due and payable at that time.

The Company estimates it incurred approximately $10.0 million of debt issuance costs and amendment fees associated with the above transactions. The transactions will be accounted for in the first quarter of 2019.

Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures

As of the end of the period covered by this Annual Report on Form 10-K, our management carried out an evaluation, under the supervision and with the participation of the Company's chief executive officer and chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based upon that evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f), for the Company. Under the supervision of the chief executive officer and chief financial officer, management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2018 based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control-Integrated Framework (2013)." Based on its evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2018.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2018, that have materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Table of Contents

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 regarding our directors and corporate governance matters is incorporated by reference herein to the proxy statement for the Company's 2019 Annual Meeting of Stockholders (the "Proxy Statement") sections entitled "Proposal 1 - Election of Directors" and "Corporate Governance." The information required by Item 10 regarding our executive officers appears as a supplementary item following Item 4 under Part I of this Annual Report on Form 10-K under the title "Executive Officers of the Company." The information required by Item 10 regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is incorporated by reference herein to the Proxy Statement section entitled "Section 16(a) Beneficial Ownership Reporting Compliance."

The Spirit and The Letter. Effective as of July 1, 2015, the Board adopted the Company's code of conduct, titled "The Spirit and The Letter", that applies to all directors and employees, including the Company's principal executive officer, principal financial officer, and other persons performing similar executive management functions. The Spirit and The Letter is posted on the Company's website, www.horizonglobal.com, in the Corporate Governance subsection of the Investor Relations section. All amendments to The Spirit and The Letter, if any, will be also posted on the Company's website, along with all waivers, if any, of The Spirit and The Letter involving senior officers.

Item 11. Executive Compensation

The information required by Item 11 is incorporated by reference herein to the Proxy Statement section entitled "Executive Compensation."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 is incorporated by reference herein to the Proxy Statement section entitled "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is incorporated by reference herein to the Proxy Statement section entitled "Transactions with Related Persons" and "Corporate Governance".

Item 14. Principal Accountant Fees and Services

The information required by Item 14 is incorporated by reference herein to the Proxy Statement section entitled "Fees Paid to Independent Auditor."

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Listing of Documents

(1) Financial Statements

The Company's consolidated financial statements included in Item 8 hereof, as required at December 31, 2018 and December 31, 2017, and for the periods ended December 31, 2018, December 31, 2017 and December 31, 2016, consist of the following:

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Comprehensive Income (Loss)

Consolidated Statements of Cash Flows

Consolidated Statements of Shareholders' Equity

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Financial Statement Schedule of the Company appended hereto, as required for the periods ended December 31, 2018, December 31, 2017 and December 31, 2016, consists of the following:

Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable, not required, or the information is otherwise included in the financial statements or the notes thereto.

Table of Contents

(3) Exhibits

Exhibits Index:

2.1(c)*	Separation and Distribution Agreement, dated as of June 30, 2015, by and between Horizon Global Corporation and TriMas Corporation.
2.2(i)*	Share Purchase Agreement, dated as of August 24, 2016, among Horizon Global Corporation and Blitz K 16-102 GmbH and Parcom Deutschland I GmbH & Co. KG, Co-Investment Partners Europe L.P., BayernLB Private Equity GmbH, Walter Gnauert, Dr. Bernd Welzel, Frank Klebedanz, Jürgen Lotter and Westfalia Mitarbeiterbeteiligungs GmbH & Co. KG.
2.3(h)*	Sale and Purchase Agreement, dated as of December 13, 2017, among Horizon Global Corporation and Cequent Nederland Holdings B.V. and Cooperatief H2 Equity Partners Fund IV Holding W.A., Stichting Administratiekantoor Brink I, and Stichting Administratiekantoor Brink II.
3.1(n)	Amended and Restated Certificate of Incorporation of Horizon Global Corporation.
3.2(b)	Amended and Restated By-laws of Horizon Global Corporation.
4.1(j)	Indenture, dated as of February 1, 2017, by and between the Company and Wells Fargo Bank, National Association, as Trustee.
4.2(j)	First Supplemental Indenture, dated as of February 1, 2017, by and between the Company and Wells Fargo Bank, National Association, as Trustee.
10.1(c)	Tax Sharing Agreement, dated as of June 30, 2015, by and between Horizon Global Corporation and TriMas Corporation.
10.2(c)	Noncompetition and Nonsolicitation Agreement, dated as of June 30, 2015, by and between Horizon Global Corporation and TriMas Corporation.
10.3(c)	Loan Agreement, dated as of June 30, 2015, among the Company, Cequent Performance Products, Inc., Cequent Consumer Products, Inc., the lenders party thereto and Bank of America, N.A., as agent for the lenders.
10.4(f)	Amended and Restated Loan Agreement, dated as of December 22, 2015, among Horizon Global Corporation, Cequent Performance Products, Inc., Cequent Consumer Products, Inc., Cequent UK Limited, Cequent Towing Products of Canada Ltd., the subsidiary guarantors party thereto, the lenders party thereto and Bank of America, N.A., as agent for the lenders.
10.5(f)	Foreign Facility Guarantee and Collateral Agreement, dated as of December 22, 2015, among Cequent Performance Products, Inc., certain of its subsidiaries party thereto as grantors and Bank of America, N.A., as agent.
10.6(i)	Waiver and First Amendment to Amended and Restated Loan Agreement, dated as of October 4, 2016, to the Amended and Restated Loan Agreement, dated as of December 22, 2015, by and among Horizon Global Corporation, Cequent Performance Products, Inc., Cequent Consumer Products, Inc., Cequent UK Limited, Cequent Towing Products of Canada Ltd., the other parties thereto, the lenders party thereto and Bank of America, N.A., as administrative agent.
10.7(l)	Second Amendment to Amended and Restated Loan Agreement, dated as of January 11, 2017, to the Amended and Restated Loan Agreement, dated as of December 22, 2015, by and among Horizon Global Corporation, Cequent Performance Products, Inc., Cequent Consumer Products, Inc., Cequent UK Limited, Cequent Towing Products of Canada Ltd., the other parties thereto, the lenders party thereto and Bank of America, N.A., as administrative agent.
10.8(n)	Third Amendment to Amended and Restated Loan Agreement, dated as of July 31, 2018, to the Amended and Restated Loan Agreement, dated as of December 22, 2015, by and among Horizon Global Corporation, Horizon Global Americas Inc., Cequent UK Limited, Cequent Towing Products of Canada Ltd., the other parties thereto, the lenders party thereto and Bank of America, N.A., as administrative agent.
10.9(c)	Term Loan Credit Agreement, dated as of June 30, 2015, among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative and collateral agent.

10.10(i)	First Amendment, dated as of September 19, 2016, to the Term Loan Credit Agreement, dated as of June 30, 2015, among Horizon Global Corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent.
10.11(l)	Second Amendment, dated as of January 11, 2017, to the Term Loan Credit Agreement, dated as of June 30, 2015, among Horizon Global Corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent.

Table of Contents

10.12(k)*	2017 Replacement Term Loan Amendment (Third Amendment to Credit Agreement), dated as of March 31, 2017, to the Term Loan Credit Agreement, dated as of June 30, 2015, by and among Horizon Global Corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent.
10.13(m)	2018 Replacement Term Loan Amendment Agreement (Fourth Amendment to Credit Agreement), dated as of February 16, 2018, among Horizon Global Corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent.
10.14(n)	Fourth Amendment to Credit Agreement, dated as of July 31, 2018, to the Term Loan Credit Agreement, dated as of June 30, 2015, by and among Horizon Global Corporation, the lenders party thereto and JPMorgan Chase Bank, N.A. as administrative agent.
10.15(d)**	Horizon Global Corporation Executive Retirement Plan effective as of July 1, 2015.
10.16(e)**	Horizon Global Corporation Executive Severance/Change of Control Policy effective as of July 1, 2015.
10.17(a)	Form of Indemnification Agreement.
10.18(e)**	Form of Restricted Stock Units Agreement - Founders Grant - under the 2015 Equity and Incentive Compensation Plan.
10.19(e)**	Form of Restricted Stock Units Agreement - 2015 Board of Directors - under the 2015 Equity and Incentive Compensation Plan.
10.20(e)**	Form of Nonqualified Stock Option Agreement - 2015 LTI - under the 2015 Equity and Incentive Compensation Plan.
10.21(e)**	Form of Nonqualified Stock Option Agreement - Special Award - under the 2015 Equity and Incentive Compensation Plan.
10.22(e)**	Form of Horizon Replacement Restricted Stock Unit Award Agreement (Converted in connection with the adjustment of TriMas 2013 Performance Stock Units - 2006 Plan).
10.23(e)**	Form of Horizon Replacement Restricted Stock Unit Award Agreement (Converted in connection with the adjustment of TriMas 2013 Performance Stock Units - 2011 Plan).
10.24(e)**	Form of Horizon Replacement Restricted Stock Unit Award Agreement (Converted in connection with the adjustment of TriMas 2014 Performance Stock Units - 2011 Plan).
10.25(g)**	Form of Restricted Stock Units Agreement - CEO Award Program - 2016 Grant - under the Amended and Restated 2015 Equity and Incentive Compensation Plan.
10.26(g)**	Form of Restricted Stock Units Agreement - Annual Grant - under the Amended and Restated 2015 Equity and Incentive Compensation Plan.
10.27(g)**	Form of Restricted Stock Units Award Agreement - CEO Grant - under the Amended and Restated 2015 Equity and Incentive Compensation Plan.
10.28(g)**	Form of Performance Share Units Agreement - Annual Grant - under the Amended and Restated 2015 Equity and Incentive Compensation Plan.
10.29(g)**	Form of Nonqualified Stock Option Agreement - Annual Grant - under the Amended and Restated 2015 Equity and Incentive Compensation Plan.
10.30**	Horizon Global Corporation Amended and Restated 2015 Equity and Incentive Compensation Plan.
10.31(m)**	Form of Restricted Stock Units Agreement - Annual Grant - under the Amended and Restated 2015 Equity and Incentive Compensation Plan.
10.32(m)**	Form of Restricted Stock Units Award Agreement - CEO Award Program - under the Amended and Restated 2015 Equity and Incentive Compensation Plan.
10.33(m)**	Form of Performance Share Units Agreement - Annual Grant - under the Amended and Restated 2015 Equity and Incentive Compensation Plan.
10.34(m)**	Form of Restricted Stock Units Award Agreement - Annual CEC Grant - under the Amended and Restated 2015 Equity and Incentive Compensation Plan.
10.35(m)**	Form of Restricted Stock Units Award Agreement - Annual ELT Grant - under the Amended and Restated 2015 Equity and Incentive Compensation Plan.

10.36(n)**	Form of Restricted Stock Units Award Agreement - Board of Directors Grant - under the Amended and Restated 2015 Equity and Incentive Compensation Plan.
10.37(i)	Investors' Rights Agreement, dated as of October 4, 2016, by and between the Company and Parcom Deutschland I GmbH & Co. KG.

Table of Contents

10.38(j)	Base Call Option Confirmation, dated as of January 26, 2017, by and between the Company and JPMorgan Chase Bank, National Association, London Branch.
10.39(j)	Additional Call Option Confirmation, dated as of January 27, 2017, by and between the Company and JPMorgan Chase Bank, National Association, London Branch.
10.40(j)	Base Warrant Confirmation, dated as of January 26, 2017, by and between the Company and JPMorgan Chase Bank, National Association, London Branch.
10.41(j)	Additional Warrant Confirmation, dated as of January 27, 2017, by and between the Company and JPMorgan Chase Bank, National Association, London Branch.
10.42(j)	Base Call Option Confirmation, dated as of January 26, 2017, by and between the Company and Wells Fargo Bank, National Association.
10.43(j)	Additional Call Option Confirmation, dated as of January 27, 2017, by and between the Company and Wells Fargo Bank, National Association.
10.44(j)	Base Warrant Confirmation, dated as of January 26, 2017, by and between the Company and Wells Fargo Bank, National Association.
10.45(j)	Additional Warrant Confirmation, dated as of January 27, 2017, by and between the Company and Wells Fargo Bank, National Association.
10.46(j)	Base Call Option Confirmation, dated as of January 26, 2017, by and between the Company and Bank of America, N.A.
10.47(j)	Additional Call Option Confirmation, dated as of January 27, 2017, by and between the Company and Bank of America, N.A.
10.48(j)	Base Warrant Confirmation, dated as of January 26, 2017, by and between the Company and Bank of America, N.A.
10.49(j)	Additional Warrant Confirmation, dated as of January 27, 2017, by and between the Company and Bank of America, N.A.
10.50(n)	Separation Agreement between Horizon Global Corporation and A. Mark Zeffiro dated June 29, 2018.
10.51	Separation and Consulting Agreement between Horizon Global Corporation and David G. Rice dated December 3, 2018.
10.52*	Updated Exhibit A to Horizon Global Corporation Executive Severance/Change of Control Policy effective as of November 6, 2018.
21.1	Horizon Global Corporation Subsidiary List.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

II-3

Table of Contents

(a) Incorporated by reference to the Exhibits filed with our Registration Statement on Form S-1 filed on March 31, 2015 (Reg. No. 333-203138).
(b) Incorporated by reference to the Exhibits filed with our Current Report on Form 8-K filed on February 20, 2019 (Reg. No. 001-37427).
(c) Incorporated by reference to the Exhibits filed with our Current Report on Form 8-K filed on July 6, 2015 (File No. 001-37427).
(d) Incorporated by reference to the Exhibits filed with our Quarterly Report on Form 10-Q filed on August 11, 2015 (File No. 001-37427).
(e) Incorporated by reference to the Exhibits filed with our Quarterly Report on Form 10-Q filed on November 10, 2015 (File No. 001-37427).
(f) Incorporated by reference to the Exhibits filed with our Current Report on Form 8-K filed on December 23, 2015 (File No. 001-37427).
(g) Incorporated by reference to the Exhibits filed with our Quarterly Report on Form 10-Q filed on May 3, 2016 (File No. 001-37427).
(h) Incorporated by reference to Exhibits filed with our Annual Report on Form 10-K filed on March 1, 2018 (File No. 001-37427).
(i) Incorporated by reference to the Exhibits filed with our Current Report on Form 8-K filed on October 11, 2016 (File No. 001-37427).
(j) Incorporated by reference to the Exhibits filed with our Current Report on Form 8-K filed on February 1, 2017 (File No. 001-37427).
(k) Incorporated by reference to the Exhibits filed with our Current Report on Form 8-K filed on April 6, 2017 (File No. 001-37427).
(l) Incorporated by reference to the Exhibits filed with our Annual Report on Form 10-K filed on March 10, 2017 (File No. 001-37427).
(m) Incorporated by reference to the Exhibits filed with our Quarterly Report on Form 10-Q filed on May 3, 2018 (File No. 001-37427).
(n) Incorporated by reference to the Exhibits filed with our Quarterly Report on Form 10-Q filed on August 7, 2018 (File No. 001-37427).

* Certain exhibits and schedules were omitted in the original filing pursuant to Item 601(b)(2) of Regulation S-K, and the Company agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted exhibits and schedules upon request.

** Management contracts and compensatory plans or arrangement required to be filed as an exhibit pursuant Item 15(b) of Form 10-K.

Table of Contents

Item 16. Form 10-K Summary

None.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HORIZON GLOBAL CORPORATION
(Registrant)

BY: /s/ CARL S. BIZON
Name: Carl S. Bizon
Title: President and Chief Executive Officer

DATE: March 18, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ CARL S. BIZON Carl S. Bizon	President and Chief Executive Officer and Director (Principal Executive Officer)	March 18, 2019
/s/ BRIAN WHITTMAN Brian Whittman	Vice President, Finance (Principal Financial and Accounting Officer)	March 18, 2019
/s/ DENISE ILITCH Denise Ilitch	Chair of the Board of Directors	March 18, 2019
/s/ RICHARD L. DEVORE Richard L. DeVore	Director	March 18, 2019
/s/ SCOTT G. KUNSELMAN Scott G. Kunselman	Director	March 18, 2019
/s/ DAVID A. ROBERTS David A. Roberts	Director	March 18, 2019
/s/ RICHARD D. SIEBERT Richard D. Siebert	Director	March 18, 2019
/s/ MAXIMILIANE C. STRAUB Maximiliane C. Straub	Director	March 18, 2019

Table of Contents

SCHEDULE II
PURSUANT TO ITEM 15(a)(2)
OF FORM 10-K VALUATION AND QUALIFYING ACCOUNTS FOR THE YEARS ENDED
December 31, 2018, 2017 AND 2016
(Dollars in thousands)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	CHARGED (CREDITED) TO OTHER ACCOUNTS[1]	DEDUCTIONS[2]	BALANCE AT END OF PERIOD
Allowance for doubtful accounts deducted from accounts receivable in the balance sheet					
Year ended December 31, 2018	$ 3,100	$920	$ 1,200	$ 80	$ 5,140
Year ended December 31, 2017	$ 3,810	$640	$ (1,340)	$ 10	$ 3,100
Year ended December 31, 2016	$ 2,960	$910	$ 50	$ 110	$ 3,810

[1] Allowance of companies acquired, and other adjustments, net.
[2] Deductions, representing uncollectible accounts written-off, less recoveries of amounts written-off in prior years.