

Manitex International, Inc.
Form 10-K
March 15, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT

PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

Commission File No.: 001-32401

MANITEX INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Michigan
(State of incorporation)

42-1628978
(I.R.S. Employer

Identification No.)

9725 Industrial Drive

Bridgeview, Illinois
(Address of principal executive offices)

60455
(Zip Code)

Registrant's telephone number, including area code: (708) 430-7500

Securities registered pursuant to Section 12(b) of the Act:

Edgar Filing: Manitex International, Inc. - Form 10-K

Title of each class	Name of each exchange on which registered
Common Stock, no par value	The NASDAQ Stock Market LLC
Preferred Share Purchase Rights	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller reporting company

Emerging growth company

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

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

The aggregate market value of the shares of common stock, no par value ("Common Stock"), held by non-affiliates of the registrant as of June 30, 2018 was approximately \$169.2 million based upon the closing price for the Common Stock of \$12.48 on the NASDAQ Stock Market on such date.

Edgar Filing: Manitex International, Inc. - Form 10-K

The number of shares of the registrant's common stock outstanding as of March 1, 2019 was 19,677,293.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference information (to the extent specific sections are referred to herein) from the registrant's Proxy Statement for its 2019 Annual Meeting (the "2019 Proxy Statement") to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2018.

TABLE OF CONTENTS

<u>PART I</u>	1
ITEM 1. <u>BUSINESS</u>	2
ITEM 1A. <u>RISK FACTORS</u>	9
ITEM 1B. <u>UNRESOLVED STAFF COMMENTS</u>	15
ITEM 2. <u>PROPERTIES</u>	15
ITEM 3. <u>LEGAL PROCEEDINGS</u>	16
ITEM 4. <u>MINE SAFETY DISCLOSURES</u>	16
 <u>PART II</u>	 17
ITEM 5. <u>MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	17
ITEM 6. <u>SELECTED FINANCIAL DATA</u>	19
ITEM 7. <u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	20
ITEM 7A. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	37
ITEM 8. <u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	38
ITEM 9. <u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	91
ITEM 9A. <u>CONTROLS AND PROCEDURES</u>	91
ITEM 9B. <u>OTHER INFORMATION</u>	93
 <u>PART III</u>	 94
ITEM 10. <u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	94
ITEM 11. <u>EXECUTIVE COMPENSATION</u>	94
ITEM 12. <u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	94
ITEM 13. <u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	94
ITEM 14. <u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	94
 <u>PART IV</u>	 95
ITEM 15. <u>EXHIBITS, AND FINANCIAL STATEMENT SCHEDULES</u>	95
 <u>SIGNATURES</u>	 103

PART I

References to the “Company,” “we,” “our” and “us” refer to Manitex International, Inc., together in each case with our subsidiaries and any predecessor entities unless the context suggests otherwise.

Forward-Looking Statements

When reading this section of this Annual Report on Form 10-K, it is important that you also read the financial statements and related notes thereto. This Annual Report on Form 10-K and certain information incorporated herein by reference contain forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report on Form 10-K, other than statements that are purely historical, are forward-looking statements and are based upon management’s present expectations, objectives, anticipations, plans, hopes, beliefs, intentions or strategies regarding the future. We use words such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could,” and similar words to identify forward-looking statements. Forward-looking statements in this Annual Report on Form 10-K include, without limitation: (1) projections of revenue, earnings, capital structure and other financial items, (2) statements of our plans and objectives, (3) statements regarding the capabilities and capacities of our business operations, (4) statements of expected future economic conditions and the effect on us and on our customers, (5) expected benefits of our cost reduction measures, and (6) assumptions underlying statements regarding us or our business. Our actual results may differ from information contained in these forward-looking statements for many reasons, including those described below and in the section entitled “Item 1A. Risk Factors”:

- (1) a future substantial deterioration in economic conditions, especially in the United States and Europe;
- (2) government spending; fluctuations in the construction industry, and capital expenditures in the oil and gas industry;
- (3) our level of indebtedness and our ability to meet financial covenants required by our debt agreements;
- (4) our ability to negotiate extensions of our credit agreements and to obtain additional debt or equity financing when needed;
- (5) the impact that the restatement of our previously issued financial statements could have on our business reputation and relations with our customers and suppliers;
- (6) the cyclical nature of the markets we operate in;
- (7) increase in interest rates;
- (8) our increasingly international operations expose us to additional risks and challenges associated with conducting business internationally;
- (9) difficulties in implementing new systems, integrating acquired businesses, managing anticipated growth, and responding to technological change;
- (10) our customers’ diminished liquidity and credit availability;
- (11) the performance of our competitors;
- (12) shortages in supplies and raw materials or the increase in costs of materials;
- (13) potential losses under residual value guarantees,
- (14) product liability claims, intellectual property claims, and other liabilities;
- (15) the volatility of our stock price;
- (16) future sales of our common stock;
- (17) the willingness of our stockholders and directors to approve mergers, acquisitions, and other business transactions;
- (18) currency transaction (foreign exchange) risks and the risk related to forward currency contracts;
- (19) compliance with changing laws and regulations
- (20) certain provisions of the Michigan Business Corporation Act and the Company’s Articles of Incorporation, as amended, Amended and Restated Bylaws, and the Company’s Preferred Stock Purchase Rights may discourage or prevent a change in control of the Company;
- (21)

a substantial portion of our revenues are attributed to limited number of customers which may decrease or cease purchasing any time;

1

- (22) a disruption or breach in our information technology systems;
- (23) our reliance on the management and leadership skills of our senior executives;
- (24) the cost of compliance with Section 404 of the Sarbanes-Oxley Act of 2002;
- (25) impairment in the carrying value of goodwill could negatively affect our operating results;
- (26) potential negative effects related to the SEC investigation into our Company; and
- (27) other factors.

The risks described in our 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 deem to be immaterial also may materially adversely affect our business, financial condition or operating results. All forward-looking statements are made only as of the date hereof. We do not undertake, and expressly disclaim, any obligation to update this forward-looking information, except as required under applicable law.

ITEM 1. BUSINESS

Our Business

The Company is a leading provider of engineered lifting solutions. The Company reports in a single business segment and has five operating segments. The Company designs, manufactures and distributes a diverse group of products that serve different functions and are used in a variety of industries.

Manitex, Inc. (“Manitex”) markets a comprehensive line of boom trucks, truck cranes and sign cranes. Manitex’s boom trucks and crane products are primarily used for industrial projects, energy exploration and infrastructure development, including roads, bridges and commercial construction.

Badger Equipment Company (“Badger”) is a manufacturer of specialized rough terrain cranes and material handling products. Badger primarily serves the needs of the construction, municipality and railroad industries.

PM Oil and Steel S.p.A. (“PM” or “PM Group”), formerly known as PM Group S.p.A., is a leading Italian manufacturer of truck-mounted hydraulic knuckle boom cranes with a 50-year history of technology and innovation, and a product range spanning more than 50 models. PM is also a manufacturer of truck-mounted aerial platforms with a diverse product line and an international client base.

Manitex Valla S.r.L. (“Valla”) produces a full range of precision pick and carry industrial cranes using electric, diesel, and hybrid power options. Its cranes offer wheeled or tracked, and fixed or swing boom configurations, with special applications designed specifically to meet the needs of its customers. These products are sold internationally through dealers and into the rental distribution channel.

Manitex Sabre, Inc. (“Sabre”), which is located in Knox, Indiana, manufactures a comprehensive line of specialized mobile tanks for liquid and solid storage and containment solutions with capacities from 8,000 to 21,000 gallons. Its mobile tanks are sold to specialized independent tank rental companies and through the Company’s existing dealer network. The tanks are used in a variety of end markets such as petrochemical, waste management and oil and gas drilling.

Crane and Machinery, Inc. (“C&M”) is a distributor of the Company’s products as well as Terex Corporation’s (“Terex”) rough terrain and truck cranes. Crane and Machinery Leasing, Inc. (“C&M Leasing”) rents equipment manufactured by the Company as well as a limited amount of equipment manufactured by third parties. Although C&M is a distributor of Terex rough terrain and truck cranes, C&M’s primary business is the distribution of products manufactured by the Company.

Consolidated Variable Interest Entity

Even though it had no ownership interest in SVW Crane & Equipment Company (together with its wholly owned subsidiary, Rental Consulting Service Company, “SVW”), the Company previously had the power to direct the activities that most significantly impact SVW’s economic performance. Additionally, the Company was the primary beneficiary of the SVW relationship. SVW obtained third party financing, which was effectively guaranteed by the Company, on specific cranes the Company manufactured and remitted the loan proceeds to the Company. Other than its business transactions described herein, SVW had no other substantial business operations. The Company determined that SVW was a Variable Interest Entity (“VIE”) that under current accounting guidance needed to be consolidated in the Company’s financial results. SVW was consolidated into the Company’s financial results beginning in the first quarter of 2016 through the fourth quarter of 2017. By December 31, 2017, SVW had ceased operations and is therefore not a consolidated VIE after December 31, 2017.

Recent Acquisitions

On March 12, 2015, the Company entered into inventory and equipment purchase agreements with Columbia Tanks, LLC. Financial results are included in the consolidated results beginning on March 12, 2015.

On January 15, 2015, the Company acquired PM which is based in San Cesario sul Panaro, Modena, Italy. PM's financial results are included in the consolidated results beginning on January 15, 2015.

On December 19, 2014, the Company completed an agreement with Terex and became the majority owner of ASV (as defined below), which is located in Grand Rapids, Minnesota. As a result of the transaction, the Company owned 51% of ASV and Terex owned 49% of ASV. ASV's financial results were included in the consolidated results beginning on December 20, 2014. ASV was classified as a discontinued operation. See "Discontinued Operations" section below for additional information.

On December 16, 2014, the Company, BGI USA Inc. ("BGI"), Movedesign SRL and R&S Advisory S.r.l., entered into an operating agreement for Lift Ventures LLC ("Lift Ventures"), a joint venture entity. Lift Ventures manufactures and sells certain products and components, including the Schaeff line of electric forklifts and certain Liftking products. The Company owned 25% of the equity of Lift Ventures and licenses certain intellectual property related to the Company's products to Lift Ventures. In 2016, the Company determined its investment in Lift Ventures was impaired and has recognized an impairment charge to write off its entire investment in Lift Ventures LLC (See Note 27).

Discontinued Operations

ASV is located in Grand Rapids, Minnesota and manufactures a line of high-quality compact track and skid steer loaders. The products are used in site clearing, general construction, forestry, golf course maintenance and landscaping industries, with general construction being the largest.

Prior to the quarter ended June 30, 2017, the Company owned a 51% interest in ASV Holdings, Inc., which was formerly known as A.S.V., LLC ("ASV" or "ASV Holdings"). On May 11, 2017, in anticipation of an initial public offering, ASV Holdings converted from an LLC to a C-Corporation and the Company's 51% interest was converted to 4,080,000 common shares of ASV. On May 17, 2017, in connection with its initial public offering, ASV Holdings sold 1,800,000 of its own shares and the Company sold 2,000,000 shares of ASV Holdings common stock and reduced its investment in ASV to a 21.2% interest. ASV was deconsolidated and was recorded as an equity investment starting with the quarter ended June 30, 2017. Periods ending before June 30, 2017 reflect ASV as a discontinued operation. In February 2018, the Company sold an additional 1,000,000 shares of ASV that it held which reduced the Company's stake in ASV to approximately 11%. The Company ceased accounting for its investment in ASV under the equity method and now accounts for its investment as a marketable equity security. See Notes 11 and 26 for additional discussion related to the accounting treatment of the investment in ASV after the sale of the additional shares.

CVS Ferrari S.r.L ("CVS") designed and manufactured a range of reach stackers and associated lifting equipment for the global container handling market. CVS was sold on December 22, 2016 and is presented as a discontinued operation.

Manitex Liftking ULC ("Manitex Liftking" or "Liftking") sold a complete line of rough terrain forklifts, a line of stand-up electric forklifts, cushioned tiered forklifts with lifting capacities from 18 thousand to 40 thousand pounds and special mission-oriented vehicles, as well as other specialized carriers, heavy material handling transporters and steel mill equipment. Liftking was sold on September 30, 2016 and is presented as a discontinued operation.

Manitex Load King, LLC ("Load King") manufactured specialized custom trailers and hauling systems typically used for transporting heavy equipment. Load King trailers served niche markets in the commercial construction, railroad, military and equipment rental industries through a dealer network. Load King was sold on December 28, 2015 and is

presented as a discontinued operation.

General Corporate Information

Our predecessor company was formed in 1993 and was purchased in 2003 by Veri-Tek International, Corp., which changed its name to Manitex International, Inc. in 2008. Our principal executive offices are located at 9725 Industrial Drive, Bridgeview, Illinois 60455 and our telephone number is (708) 430-7500. Our website address is www.manitexinternational.com. Information contained on our website is not incorporated by reference into this report and such information should not be considered to be part of this report.

3

INFORMATION ABOUT OUR BUSINESS

Boom Trucks

A boom truck is a straight telescopic boom crane outfitted with a hook and winch which is mounted on a standard flatbed commercial (Class 7 or 8) truck chassis. Relative to other lifting equipment, boom trucks provide increased versatility and are capable of transporting relatively large payloads from site to site at highway speeds. A boom truck is usually sold with outriggers, pads and devices for reinforcing the chassis in order to improve safety and stability. Although produced in a wide range of models and sizes, boom trucks can be broadly distinguished by their normal lifting capability as light, medium, and heavy-cranes. Various models of medium or heavy-lift boom trucks can safely lift loads from 15 to 80 tons and operating radii can exceed 200 feet. Another advantage of the boom truck is the ability to provide occasional man lift capabilities at a very low cost to height ratio. While it is not uncommon to see a very old boom truck, most replacement cycles seem to trend to seven years. The market for boom trucks has historically been cyclical.

Although the Company offers a complete line of boom trucks from light to heavy capacity cranes much of our efforts have been devoted to the development of higher capacity boom trucks specifically designed to meet the particular needs of customers including those in energy production and electrical power distribution. We believe it is an advantage to be skewed towards the heavier lifting capacity, since the heavier capacity cranes have somewhat higher margins.

Markets that drive demand for boom trucks include power distribution, oil and gas recovery, infrastructure and new home, commercial and industrial construction. Historically, the new home construction market, which uses lower capacity cranes, has probably been the most cyclical. Over the past few years, demand from the energy sector has become more cyclical in part due to changes in oil prices.

The Company sells its boom trucks through a network of over forty full service dealers in the United States, Canada, Mexico, South America, and the Middle East. A number of our dealers maintain a rental fleet of their own. Boom trucks can be rented for either short or long-term periods.

In 2016, we noted that this selloff of excess equipment continued through much of the year. This selloff dampened demand for new equipment in both the energy market and the other markets we serve with our boom trucks. We did note that oil prices did begin to increase and by the beginning of June 2016 were approaching \$50 per barrel. Additionally, the oil rig count began to increase again and by year end totaled 525 oil rigs. Late in the year, orders received began to increase and included orders for a number of cranes in a multitude of markets that the Company serves.

In 2017, Oil prices remained relatively stable through the first nine months of the year, before the prices began to strengthen considerably during the fourth quarter of the year. Oil prices at the end of 2017 topped \$61 per barrel. The oil rig count declined during the first half of the year to 431 before rebounding to 658 by the end of 2017. In early 2018, the oil rig count continued to increase and at the end of March 2018 was over 800. The sell-off of used equipment continued through most of the year but the effects diminished throughout the year. The market for boom trucks continued to improve throughout the year but remained below normal levels. Orders, however, increased significantly in the fourth quarter of 2017 and going into 2018 demand for boom trucks continued to increase.

Entering 2018, the demand for boom trucks continued to be significantly above 2017 levels with industry shipments increasing 19% versus 2017. The general economic environment in the United States during 2018 was favorable. During 2018, the United States economy was strong, oil prices strengthened, and U.S. oil rig count has increased to 1,083 at December 28, 2018 from 929 at December 29, 2017. The Company currently expects the favorable environment that it is currently operating in to continue through 2019.

Knuckle Boom Cranes

PM is a leading Italian manufacturer of truck mounted hydraulic knuckle boom cranes with a 50-year history of technology and innovation, and a product range spanning more than 50 models. Through its consolidated subsidiaries, PM has locations in Modena, Italy; Arad, Romania; Chassieu, France; Buenos Aires, Argentina; Santiago, Chile; London, UK and Mexico City, Mexico.

PM knuckle boom cranes are hydraulic folding and articulating cranes, mounted on a commercial chassis, with lifting capacities that range from small (lifting capacity up to three-ton meter) to super heavy (lifting capacity two-hundred-and-ten-ton meter), often supplied with a jib for additional reach. With a compact design and footprint, the crane can be mounted to maximize the load carrying capability of the chassis onto which it is mounted. Combined with the crane's ability to operate in a compact footprint the ability to carry a payload provides a competitive advantage over other truck mounted cranes and makes the knuckle boom crane particularly attractive for a variety of end uses in the construction and product delivery sectors.

The knuckle boom crane market is a global market with a wide variety of end sector applications, but focused particularly on residential and non-residential construction, road and bridge and infrastructure development. Historically the knuckle boom crane has not had significant application in the energy sector. PM knuckle boom cranes are sold into a variety of geographies including West and East Europe, Central Asia, Africa, North and Central America, South America, the Middle East and the Far East and Pacific region. Historically, PM focused on its domestic and local Western European markets, but in recent years has expanded its sales and distribution efforts internationally. PM has twelve international sales and distribution offices located in several European countries as well as the Far East and Latin America. After acquisition by Manitex, the Company expanded its distribution capability with the existing Manitex dealer network in North America as well as expanding the number of independent service centers in the US.

The market for knuckle boom cranes has been growing in recent years as the acceptability of the product has grown and its advantages have been accepted. Growth in North America where the straight mast boom truck crane has been the more dominant product has been more rapid in recent years in combination with the overall improvement in the North American construction sector. PM's share of the North American market has been historically low; however, this is an area of growth opportunity for the Company following its acquisition by Manitex.

PM aerial platforms are self-propelled or truck mounted and places an operator in a basket in the air in order to perform maintenance, repairs or similar activities. The equipment is used in a variety of applications including utilities, sign work and industrial maintenance and is often sold to rental operations.

PM group product serves in a number of geographies in West and East Europe but also the near and Far East and sells through dealers as well as its own sales and distribution offices. The market generally follows the domestic economic cycle for any particular country. Consequently, the market has shown a positive trend in the recent past as European economies recover from the 2009 / 2010 economic crisis.

As PM serves a global market, its revenues are affected by changes in economic conditions in markets it serves. In 2016, the middle-east market was soft and had an impact on PM 2016 revenues.

In 2017, the demand for knuckle boom cranes was up modestly in all the markets that PM sells into except for the Middle East. The demand from the Middle East market was consistent with the prior year but remains significantly depressed. During 2017, Western and North Europe were PM's largest markets. Although there was growth in the other PM markets, the demand from such other markets had not returned to earlier levels.

During 2018, the demand for knuckle boom cranes was steady in all the markets that PM sells into except for some markets in Latin America where local currency turbulence with strong devaluations towards the Euro and US dollar affected the local demand. The demand from the Middle East market was consistent with 2017 but remained significantly slow. In 2018, demand from Western and Northern Europe, PM's largest markets, remained at a solid level. Although there was light growth in the other PM markets, the demand from such other markets was still lower than the levels achieved in the past. PM's markets appear to be stable or growing moving into 2019.

Industrial Cranes

Badger sells specialized industrial cranes through a network of dealers. The Badger product line includes specialized 15- and 30-ton industrial cranes (which can be used by the railroads) as well as a 10 ton carry deck crane which are all sold under both the Badger and Manitex names. Additionally, Badger sells lattice cranes with 20 to 30 ton lifting capacity marketed under the Little Giant trade name. The Little Giant line has five lattice boom models, three of which are dedicated rail cranes. In addition, Badger also sells a 30-ton truck crane and a 25-ton crawler crane under the Little Giant name. Badger also has the capability to manufacture certain of our lower capacity boom trucks and provides expanded boom truck manufacturing capacity when needed.

The products are used by railroads, refineries, states, municipalities, and for general construction. The Company believes it has an advantage over its competitors in selling to railroads as it is the only crane manufacturer that has integrated the installation of rail gear into its production process. Competitors send their cranes to a third party to have rail gear added which both increases cost and delays deliveries.

Valla product line of industrial cranes is a full range of precision pick and carry cranes from 2 to 90 tons, using electric, diesel, and hybrid power options. Its cranes offer wheeled or tracked, and fixed or swing boom configurations, with special applications designed specifically to meet the needs of its customers. The product is sold internationally through dealers and into the rental distribution channel.

Mobile Tanks

Sabre manufactures a comprehensive line of specialized mobile tanks for liquid and solid storage and containment solutions with capacities from 8,000 to 21,000 gallons. Its mobile tanks are sold to specialized independent tank rental companies and through other direct customers.

The tanks have historically been used in a variety of end markets such as petrochemical, waste management and oil and gas drilling. However, when we purchased Sabre in 2013, its business heavily skewed towards the energy sector. Since early 2014, we have been working to diversify the products, customers, and applications. This includes expanding environmental applications and using our tanks to store deicer fluid at airports.

Equipment Distribution

C&M is a distributor of the Company's products as well as Terex's rough terrain and truck cranes.

C&M Leasing rents equipment manufactured by the Company as well as a limited amount of equipment manufactured by third parties. Although C&M is a distributor of Terex rough terrain and truck cranes; C&M's primary business is the distribution of products manufactured by the Company.

Part Sales

As part of our operations, we supply repair and replacement parts for our products. The parts business margins are higher than our overall margins. Part sales as a percentage of revenues tend to increase when there is a down-turn in the industry. Part sales as a percentage of revenues are approximately 12%, 11% and 13% for the years ended December 31, 2018, 2017 and 2016, respectively.

Total Company Revenues by Sources

The sources of the Company's revenues are summarized below:

	2018	2017	2016
Boom trucks, knuckle boom & truck cranes	73 %	76 %	72 %
Rough terrain cranes	3 %	3 %	3 %
Mobile tanks	5 %	2 %	4 %
Installation services	2 %	2 %	3 %
Other equipment	5 %	5 %	5 %
Part sales	12 %	12 %	13 %
Total Revenue	100 %	100 %	100 %

In 2018 and 2016, no customer accounted for 10% or more of the Company's revenue. In 2017, one customer, Rush Truck Center, accounted for approximately 12.0% of the Company's revenue.

Raw Materials

The Company purchases a variety of components used in the production of its products. The Company purchases steel and a variety of machined parts, components and subassemblies including weldments, winches, cylinders, frames, rims, axles, wheels, tires, suspensions, cables, booms and cabs, as well as engines, transmissions and cabs. Additionally, Manitex and PM mount their cranes on commercial truck chassis, which are either purchased by

the Company or supplied by the customer. Lead times for these materials (including chassis) vary from several weeks to many months. The Company is vulnerable to a supply interruption in instances when only one supplier has been qualified and identifying and qualifying alternative suppliers can be very time consuming, and in some cases, could take longer than a year. The Company has been working on qualifying secondary sources of some products to assure supply consistency and to reduce costs. The degree to which our supply base can respond to changes in market demand directly affects our ability to increase production and the Company attempts to maintain some additional inventory in order to react to unexpected increases in demand. During 2018, 2017 and 2016, raw materials and components were generally available to meet our production schedules and had no significant impact on full year revenues. During the first part of 2018 delivery of chassis for our larger cranes had a modest impact on production, however this was alleviated during the year as manufacturers increased their production and demand also slowed compared to the first half of the year.

Any future supply chain issues that might impact the Company will in part depend on how fast the rate of growth is for a product as well as the rate of growth in the general economy. Strong general economic growth could put us in competition for parts with other industries. Additionally, events or circumstance at a particular supplier could impact the availability of a necessary component.

Patents and Trademarks

The Company protects its trade names and trademarks through registration. Its technology consists of bill of materials, drawings, plans, vendor sources and specifications and although the Company's technology has considerable value, it does not generally have patent protection. The Company has (on rare occasions) filed for patent protection on a specific feature. In the future, the Company will consider seeking patent protection on any new design features believed to present a significant future benefit.

The Company owns and uses several trademarks relating to its brands that have significant value and are instrumental to the Company's ability to market its products. The Company's most significant trademark is "Manitex" (presently registered with the United States Patent and Trademark Office until 2027). Badger Equipment Company markets its products under the "Little Giant" and Badger trade names. Sabre markets its products under the "Sabre" tradename. Valla markets its products under the "Valla" tradename. PM sells its products using the trademark "PM" and PM subsidiary, Oil & Steel S.p.A.; sells its products using the "OIL & STEEL" trademark. The ManiTex, Badger, Little Giant, PM and OIL & STEEL trademarks and trade names are important to the marketing and operation of the Company's business as a significant number of our products are sold under those names. PM has three patents. One is registered with the Italian Patents and Trademarks Office until 2028. PM has two additional patents registered with OHIM that are in force until 2031 and 2034, respectively.

Seasonality

Traditionally, the Company's peak selling periods for cranes are the second and third quarters of a calendar year as a result of the need for equipment in the spring, summer and fall construction seasons. A significant portion of cranes sold over the last several years have been deployed in specialized industries or applications, such as oil and gas production, power distribution and in the railroad industry. Sales in these markets are subject to significant fluctuations which correlate more with general economic conditions and the prices of commodities, including oil, and generally are not of a seasonal nature.

Sales of cranes from the Equipment Distribution division mirror the seasonality of the overall Company. However, the sale of parts is much less seasonal given the geographic breadth of the customer base. Crane repairs are performed by the Equipment Distribution division throughout the year but are somewhat affected by the slowdown in construction activity during the typically harsh winters in the Midwestern United States.

Competition

Lifting Equipment

The market for the Company's boom trucks and knuckle boom cranes, industrial cranes and trailers is highly competitive. The Company competes based on product design, quality of products and services, product performance, maintenance costs and price. Several competitors have greater financial, marketing, manufacturing and distribution resources than we do. The Company believes that it effectively competes with its competitors.

The Company's boom cranes compete with cranes manufactured by National Crane, Terex, Weldco Beales, Elliott and Altec. The Company's knuckle boom cranes compete with Palfinger, Fassi, Effer and HIAB. The Company competes primarily with Terex and Broderson in selling rough terrain and industrial cranes. The Company's mobile tanks compete with tanks sold by Dragon Tank and Pinnacle Mfg., LLC.

Equipment Distribution

The Equipment Distribution division's primary business is facilitation of sale of products manufactured by the Company. As such, it faces the same competition described above for products manufactured by the Company. Additionally, the Equipment Distribution division has a dealership arrangement with Terex and must compete against dealers of other rough terrain and truck crane manufacturers. Locally, the Equipment Distribution division competes against Runnion Equipment (dealer for National Crane), Power Equipment Leasing (dealer for Elliott) and Guiffre Cranes (dealer for Manitex and Terex boom trucks). Runnion is also authorized to sell Manitex boom trucks.

7

While no geographic limitations exist regarding the Equipment Distribution business's ability to sell cranes internationally, the lack of any barriers to entry and the heavy use of the Internet make this a highly active and competitive market in which to distribute cranes.

Competition for our Equipment Distribution repair business is even more intense since it is limited geographically due to the necessity of having physical access to the cranes. Most of the above referenced companies also compete in this aspect of the business, as do other types of crane and equipment dealers from nearby areas such as Indiana or Wisconsin.

Equipment Distribution parts sales are global in scope and benefit greatly from the Internet and the tenure and expertise of our employees. While competition in this area is extensive, we believe that the breadth of the products offered and our long history in this part of the business is a competitive advantage.

Our Equipment Distribution business competes based on the design, quality and performance of the products it distributes, price and the supporting repair and part services that it provides. Several competitors have greater financial, marketing and distribution resources than we do. The Company, however, believes that it effectively competes with its competitors.

Backlog

The backlog at December 31, 2018 was approximately \$66.7 million, compared to a backlog of approximately \$61.5 million at December 31, 2017. The December 31, 2018 backlog has increased by \$5.2 million since September 30, 2018 when it was at \$60.5 million. The backlog has continued to grow during the early part of 2019 and was \$80.2 million at February 28, 2019. The Company expects to ship product to fulfill its existing backlog within the next twelve months.

Revenue Recognition and Long-Lived Assets

The information regarding revenue, the basis for attributing revenue from external customers to individual countries, and long-lived assets is found in Note 4 "Revenue Recognition" and Note 20 "Long-Lived Assets" to our consolidated financial statements, is hereby incorporated by reference into this Part I, Item 1.

Employees

As of December 31, 2018, the Company had 619 full time employees. The Company has not experienced any work stoppages and anticipates continued good employee relations. Nineteen (19) of our employees are covered by collective bargaining agreements. Fifteen (15) of our employees at our Badger subsidiary are represented by International Union, UAW and its local No. 316. The current union contract expires on January 21, 2020. Four employees are currently represented by Automobile Mechanics' Local 701. The union contract expires on September 30, 2020. The employees represented by the Automobile Mechanics' Local 701 are mechanics that work in our Equipment Distribution business. A number of our Equipment Distribution customers in the Chicago metropolitan area mandate union mechanics usage for any service / repair jobs.

Governmental Regulation

The Company is subject to various governmental regulations, such as environmental regulations, employment and health regulations, and safety regulations. We have various internal controls and procedures designed to maintain compliance with these regulations. The cost of compliance programs is not material but is subject to additions to or changes in federal, state or local legislation or changes in regulatory implementation or interpretation of government regulations.

Available Information

The Company makes available free of charge our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished as required by Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), through our Internet Website (www.manitexinternational.com) as soon as is reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the “SEC”). 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. Information contained in or incorporated into our Internet Website or the SEC’s website is not incorporated by reference herein.

ITEM 1A. RISK FACTORS

You should carefully consider the following risks, together with the cautionary statement under the caption “Forward-Looking Statements” and the other information included in this report. The risks described below are not the only ones the Company faces. Additional risks that are currently unknown to the Company or that the Company currently considers to be immaterial may also impair its business or adversely affect the Company’s financial condition or results of operations. If any of the following risks actually occur, the Company’s business, financial condition or results of operation could be adversely affected.

Significant deterioration in economic conditions, especially in the United States and Europe, has had and may again have negative effects on the Company’s results of operations and cash flows

Significant deterioration in economic conditions, especially in the United States and Europe, has had and may again have negative effects on the Company’s results of operations and cash flows. Economic conditions affect the Company’s sales volumes, pricing levels and overall profitability. Demand for many of the Company’s products depends on end-use markets. Challenging economic conditions may reduce demand for our products and may also impair the ability of customers to pay for products they have purchased. As a result, the Company’s reserves for doubtful accounts and write-offs for accounts receivable may increase.

A significant deterioration in economic conditions has caused and may again cause deterioration in the credit quality of our customers and the estimated residual value of our equipment. This could further negatively impact the ability of our customers to obtain the resources they need to make purchases of our equipment. Reduced credit availability will diminish our customers’ ability to invest in their businesses, refinance maturing debt obligations, and meet ongoing working capital needs. If customers do not have sufficient access to credit, demand for the Company’s products will likely decline. Reduced access to credit and the capital markets will also negatively affect the Company’s ability to invest in strategic growth initiatives such as acquisitions.

Certain of the Company’s products are significantly affected by the level of capital expenditures in the oil and gas industry and lower capital expenditures have affected and may continue to affect the results of the Company’s operations.

The demand for our product in part depends on the condition of the oil and gas industry and, in particular, on the level of capital expenditures of companies engaged in the exploration, development, and production of oil and natural gas. Capital expenditures by these companies are influenced by the following factors:

- the oil and gas industry’s ability to economically justify placing discoveries of oil and gas reserves in production;
- current and projected oil and gas prices;
- the oil and gas industry’s need to clear all structures from the lease once the oil and gas reserves have been depleted;
- weather events, such as major tropical storms;
- the abilities of oil and gas companies to generate, access and deploy capital;
 - exploration, production and transportation costs;
- the discovery rate of new oil and gas reserves;
- the sale and expiration dates of oil and gas leases and concessions;
- local and international political and economic conditions;
- the ability or willingness of host country government entities to fund their budgetary commitments; and
- technological advances.

Historically, prices of oil and natural gas and exploration, development and production have fluctuated substantially. A sustained period of substantially reduced capital expenditures by oil and gas companies will result in decreased demand for certain equipment produced by the Company, lower margins, and possibly net losses. Additionally, oil and gas companies may sell excess equipment into the general construction market which could further depress demand for certain of products.

The Company's level of indebtedness reduces financial flexibility and could impede our ability to operate.

As of December 31, 2018, the Company's total debt was \$73 million, which includes: notes payable, convertible debt and capital lease obligations.

9

Our level of debt affects our operations in several important ways, including the following:

- a significant portion of our cash flow from operations is likely to be dedicated to the payment of the principal and interest on our indebtedness;
 - our ability to obtain additional financing in the future for working capital, capital expenditures or acquisitions may be limited;
 - we may be unable to refinance our indebtedness on terms acceptable to us or at all;
 - our cash flow may be insufficient to meet our required principal and interest payments; and
 - we may be unable to obtain additional loans as a result of covenants and agreements with existing debt holders.
- The Company must comply with restrictive covenants in its outstanding debt agreements.

The Company's existing debt agreements contain a number of significant covenants which may limit its ability to, among other things, borrow additional money, make capital expenditures, pay dividends, dispose of assets and acquire new businesses. These covenants also require the Company to meet certain financial and non-financial tests. In 2018 and 2017, the Company received waivers related to non-compliance with certain covenants and defaults under its U.S. credit facilities and its convertible notes. The Company also restructured certain debt arrangements which restructuring cured the defaults caused by the failed covenant. An additional default or other event of non-compliance, if not waived or otherwise permitted by the Company's lenders, could result in acceleration of the Company's debt and possibly bankruptcy.

The Company may require additional funding, which may not be available on favorable terms or at all.

Our future capital requirements will depend on the amount of cash generated or required by our current operations, as well as additional funds which may be needed to finance future acquisitions. Future cash needs are subject to substantial uncertainty.

We cannot guarantee that adequate funds will be available when needed, and if we do not receive sufficient capital, we may be required to alter or reduce the scope of our operations or to forego making future acquisitions. If we raise additional funds by issuing equity securities, existing stockholders may be diluted.

The Company's business is affected by the cyclical nature of its markets.

A substantial portion of our revenues are attributed to limited number of customers which may decrease or cease purchasing any time, since the Company's products depends upon the general economic conditions of the markets in which the Company competes. The Company's sales depend in part upon its customers' replacement or repair cycles. Adverse economic conditions, including a decrease in commodity prices, may cause customers to forego or postpone new purchases in favor of repairing existing machinery. Downward economic cycles may result in reductions in sales of the Company's products, which may reduce the Company's profits. The Company has taken a number of steps to reduce its fixed costs and diversify its operations to decrease the negative impact of these cycles. There can be no assurance, however, that these steps will prevent the negative impact of poor economic conditions.

The Company's business is sensitive to increases in interest rates.

The Company is exposed to interest rate volatility with regard to future issuances of fixed rate debt and existing issuances of variable rate debt. Primary exposure includes movements in the U.S. prime rate, LIBOR and Italian short-term borrowing rates.

If interest rates rise, it becomes costlier for the Company's customers to borrow money to pay for the equipment they buy from the Company. Should the U.S. Federal Reserve Board decide to increase rates, prospects for business investment and manufacturing could deteriorate sufficiently and impact sales opportunities.

The Company's business is sensitive to government spending.

Many of the Company's customers depend substantially on government spending, including highway construction and maintenance and other infrastructure projects by U.S. federal and state governments and governments in other nations. Any decrease or delay in government funding of highway construction and maintenance and other infrastructure projects could cause the Company's revenues and profits to decrease.

10

The Company's revenues are attributed to limited number of customers which may decrease or cease purchasing any time.

The Company's revenues are attributed to a limited number of customers. We generally do not have long-term supply agreements with our customers. Even if a multi-year contract exists, the customer is not required to commit to minimum purchases and can cease purchasing at any time. If we were to lose either a significant customer or several smaller customers our operating results and cash flows would be adversely impacted.

The Company is dependent upon third-party suppliers, making us vulnerable to supply shortages.

The Company obtains materials and manufactured components from third-party suppliers. Any delay in the ability of the Company's suppliers to provide the Company with necessary materials and components may affect the Company's capabilities at a number of our manufacturing locations, or may require the Company to seek alternative supply sources. Delays in obtaining supplies may result from a number of factors affecting the Company's suppliers including capacity constraints, labor disputes, the impaired financial condition of a particular supplier, suppliers' allocations to other purchasers, weather emergencies or acts of war or terrorism. Any delay in receiving supplies could impair the Company's ability to deliver products to customers and, accordingly, could have a material adverse effect on business, results of operations and financial condition.

In addition, the Company purchases material and services from suppliers on extended terms based on the Company's overall credit rating. Negative changes in the Company's credit rating may impact suppliers' willingness to extend terms and increase the cash requirements of the business.

Price increases in materials could affect our profitability.

We use large amounts of steel and other items in the manufacture of our products. In the past, market prices of some of our key raw materials increased significantly. If we experience future significant increases in material costs, including steel, we may not be able to reduce product cost in other areas or pass future raw material price increases on to our customers and our margins could be adversely affected.

We provide credit guarantees or residual value guarantees for some of our customers.

The Company's customers, from time to time, may fund acquisitions of our products through third-party finance companies. In certain instances, the Company has in the past provided credit guarantees or residual value guarantees. With these guarantees, we must assess the probability of losses or non-performance in ways similar to the evaluation of accounts receivable. We establish reserves based upon our analysis of the current quality and financial position of our customers, past payment experience and collateral values. In circumstances where we believe it is probable that a specific customer will have difficulty meeting its financial obligations, a specific reserve is recorded to recognize a liability for a guarantee we expect to pay, taking into account any amounts that we would anticipate realizing if we are forced to repossess the equipment that supports the customer's financial obligations to us. During periods of economic weakness, collateral underlying our guarantees of indebtedness of customers or receivables can decline sharply, thereby increasing our exposure to losses. In the future, we may incur losses in excess of our recorded reserves if the financial condition of our customers were to deteriorate further or the full amount of any anticipated proceeds from the sale of the collateral supporting our customers' financial obligations is not realized. Historically, no losses related to guarantees have been realized; however, there can be no assurance that our historical experience with respect to guarantees will be indicative of future results.

The Company depends on its information technology systems. If its information technology systems do not perform in a satisfactory manner or if the security of them is breached, it could be disruptive and or adversely affect the operations and results of operations of the Company.

The Company depends on its information technology systems, some of which are managed by third parties, to process, transmit and store electronic information (including sensitive data such as confidential business information and personally identifiable data relating to employees, customers and other business partners), and to manage or support a variety of critical business processes and activities. If our information technology systems do not perform in a satisfactory manner, it could be disruptive and or adversely affect the operations and results of operations of the Company, including the ability of the Company to report accurate and timely financial results.

Furthermore, our information technology systems may be damaged, disrupted or shut down due to attacks by computer hackers, computer viruses, employee error or malfeasance, power outages, hardware failures, telecommunication or utility failures, catastrophes or other unforeseen events, and in any such circumstances our system redundancy and other disaster recovery planning may be ineffective or inadequate. A failure of or breach in information technology security could expose us and our customers, distributors and suppliers to risks of misuse of information or systems, the compromise of confidential information, manipulation and destruction of data, defective products, production downtimes and operations disruptions. In addition, such breaches in security could result in litigation, regulatory action and potential liability, as well as the costs and operational consequences of implementing further data protection measures, each of which could have a material adverse effect on our business or results of operations.

The Company may face limitations on its ability to integrate acquired businesses.

The successful integration of new businesses depends on the Company's ability to manage these new businesses and cut excess costs. While the Company believes it has successfully integrated these acquisitions to date, the Company cannot ensure that these acquired companies will operate profitably or that the intended beneficial effect from these acquisitions will be realized.

If the Company is unable to manage anticipated growth effectively, the business could be harmed.

If the Company fails to manage growth, the Company's financial results and business prospects may be harmed. To manage the Company's growth and to execute its business plan efficiently, the Company will need to institute operational, financial and management controls, as well as reporting systems and procedures. The Company also must effectively expand, train and manage its employee base. The Company cannot assure you that it will be successful in any of these endeavors.

The Company relies on key management.

The Company relies on the management and leadership skills of David Langevin, Chairman and Chief Executive Officer. When Mr. Langevin joined the Company, he signed a three-year employment agreement with the Company which expired on December 31, 2008. Mr. Langevin's employment agreement has been extended and now expires on December 31, 2019. Under the employment agreement, Mr. Langevin's employment term automatically extends for successive periods of three years unless either the Company or Mr. Langevin gives written notice to the other party of non-renewal at least 90 days prior to the end of the then current employment term. The loss of his services could have a significant and negative impact on the Company's business. In addition, the Company relies on the management and leadership skills of other senior executives. The Company could be harmed by the loss of key personnel in the future.

The Company's success depends upon the continued protection of its trademarks and the Company may be forced to incur substantial costs to maintain, defend, protect and enforce its intellectual property rights.

The Company's registered and common law trademarks, as well as certain of the Company's licensed trademarks, have significant value and are instrumental to the Company's ability to market its products. The Company's marks "Manitex", "Badger", "Sabre", "Valla", "PM" and "O&S" are important to the Company's business as the majority of the Company's products are sold under those names. The Company has not registered all of its trademarks in the United States nor in the foreign countries where it does business. Third parties could assert claims against such intellectual property that the Company could be unable to successfully resolve. If the Company has to change the names of any of its products, it may experience a loss of goodwill associated with its brand names, customer confusion and a loss of sales.

In addition, international protection of the Company's intellectual property may not be available in some foreign countries to the same extent permitted by the laws of the United States. The Company could also incur substantial costs to defend legal actions relating to use of its intellectual property, which could have a material adverse effect on

the Company's business, results of operations or financial condition.

The Company may be required to record goodwill impairment charges on all or a significant amount of the goodwill on its Consolidated Balance Sheets.

As of December 31, 2018, the Company had approximately \$36.3 million of goodwill. The Company tests goodwill for impairment at least annually. If the carrying value of goodwill exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment of a significant portion of goodwill could materially negatively affect the Company's results of operations.

The Company may be unable to effectively respond to technological change, which could have a material adverse effect on the Company's results of operations and business.

The markets served by the Company are not historically characterized by rapidly changing technology. Nevertheless, the Company's future success will depend in part upon the Company's ability to enhance its current products and to develop and introduce new products. If the Company fails to anticipate or respond adequately to competitors' product improvements and new production introductions, future results of operations and financial condition will be negatively affected.

The Company operates in a highly competitive industry and the Company is particularly subject to the risks of such competition.

The Company competes in a highly competitive industry and the competition which the Company encounters has an effect on its product prices, market share, revenues and profitability. Because certain competitors have substantially greater financial, production, research and development resources and substantially greater name recognition than the Company, the Company is particularly subject to the risks inherent in competing with them and may be put at a competitive disadvantage. To compete successfully, the Company's products must excel in terms of quality, price, product line, ease of use, safety and comfort, and the Company must also provide excellent customer service. The greater financial resources of the Company's competitors may put it at a competitive disadvantage. If competition in the Company's industry intensifies or if the Company's current competitors enhance their products or lower their prices for competing products, the Company may lose sales or be required to lower its prices. This may reduce revenue from the Company's products and services, lower its gross margins or cause the Company to lose market share. The Company may not be able to differentiate our products from those of competitors, successfully develop or introduce less costly products, offer better performance than competitors or offer purchasers of our products payment and other commercial terms as favorable as those offered by competitors.

The Company faces product liability claims and other liabilities due to the nature of its business.

In the Company's lines of business numerous suits have been filed alleging damages for accidents that have occurred during the use or operation of the Company's products. The Company is self-insured, up to certain limits, for these product liability exposures, as well as for certain exposures related to general, workers' compensation and automobile liability. Insurance coverage is obtained for catastrophic losses as well as those risks required to be insured by law or contract. Any material liabilities not covered by insurance could have an adverse effect on the Company's financial condition.

Our increasingly international operations expose us to additional risks and challenges associated with conducting business internationally.

The international expansion of our business may expose us to risks inherent in conducting foreign operations. These risks include:

- challenges associated with managing geographically diverse operations, which require an effective organizational structure and appropriate business processes, procedures and controls;
- the increased cost of doing business in foreign jurisdictions, including compliance with international and U.S. laws and regulations that apply to our international operations;
- currency exchange and interest rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions, if we continue to do so in the future;
- potentially adverse tax consequences;
- complexities and difficulties in obtaining protection and enforcing our intellectual property;
- compliance with additional regulations and government authorities in a highly regulated business; and
- general economic and political conditions internationally.

Additionally, changes to the United States' participation in, withdrawal from, renegotiation of certain international trade agreements or other major trade related issues including the non-renewal of expiring favorable tariffs granted to developing countries, tariff quotas, and retaliatory tariffs (including, but not limited to, the current United States administration's tariffs on China and China's retaliatory tariffs on certain products from the United States), trade sanctions, new or onerous trade restrictions, embargoes and other stringent government controls could have a material adverse effect on our business, results of operations and financial condition.

The risks that the Company faces in its international operations may continue to intensify if the Company further develops and expands its international operations.

The Company is subject to currency fluctuations.

Changes in exchange rates between various currencies have had, and will continue to have, an impact on our earnings. We regularly evaluate opportunities for, and at times engage in, hedging activities to mitigate the impact that changes in exchange rates for various currencies may have on our financial results. Our hedging activities are designed to reduce and delay, but not to eliminate, the effects of foreign currency fluctuations. Factors that could affect the effectiveness of our hedging activities include volatility of currency markets, and the availability of effective hedging instruments. Since the hedging activities are designed to reduce volatility, they may have the effect of reducing both the negative and positive impacts that changes in exchange rates may have. Our future financial results could be significantly affected by the value of the U.S. dollar versus the native currencies of our subsidiaries (primarily the Euro) as well as the native currencies of foreign subsidiaries and other currencies in which they conduct business. The degree to which our financial results are affected for any given time period will depend in part upon our hedging activities. There can be no assurance that our hedging activities will have the desired beneficial impact on our financial condition or results of operations. Moreover, no hedging activity can completely insulate us from the risks associated with changes in currency exchange rates. We currently have exposure to changes in exchange rates for a number of currencies including the Euro, the Chilean peso and the Argentinean peso.

Risks Relating to our Common Stock

The Company's principal shareholders, executive officers and directors hold a significant percentage of the Company's common stock, and these shareholders may take actions that may be adverse to your interests.

The Company's principal shareholders, executive officers and directors beneficially own, in the aggregate, approximately 27% of the Company's common stock as of February 18, 2019. As a result, these shareholders, acting together, will be able to significantly influence all matters requiring shareholder approval, including the election and removal of directors and approval of significant corporate transactions such as mergers, consolidations, sales and purchases of assets. They also could dictate the management of the Company's business and affairs. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control or impeding a merger or consolidation, takeover or other business combination, which could cause the market price of our common stock to fall or prevent you from receiving a premium in such a transaction.

The cost of compliance with Section 404 of the Sarbanes-Oxley Act of 2002 may negatively impact the Company's income.

The Company is subject to the rules and regulations of the SEC, including those rules and regulations mandated by the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act requires all reporting companies to include in their annual report a statement of management's responsibilities for establishing and maintaining adequate internal control over financial reporting, together with an assessment of the effectiveness of those internal controls. Section 404 further requires that the reporting company's independent auditors attest to, and report on, this management assessment. The Company expects its expenses related to its internal and external auditors to be significant. If we fail to maintain a system of adequate controls, it could have an adverse effect on our business and stock price.

The price of our common stock is highly volatile.

The trading price of the Company's common stock is highly volatile and could be subject to wide fluctuations in price in response to various factors, many of which are beyond the Company's control, including:

- the degree to which the Company successfully implements its business strategy;
- actual or anticipated variations in quarterly or annual operating results;
- changes in recommendations by the investment community or in their estimates of the Company's revenues or operating results;

- failure to meet expectations of industry analysts;
- speculation in the press or investment community;
- strategic actions by the Company's competitors;
- announcements of technological innovations or new products by the Company or competitors;