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## PRESENTATION

### Operator

Good day, ladies and gentlemen, and welcome to the Hyster-Yale Materials Handling Inc. 2014 fourth-quarter and full-year earnings conference call. (Operator Instructions) As a reminder, today's conference is being recorded.

I would now like to turn the conference over to Christina Kmetko. Ma'am, you may begin.

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### Christina Kmetko - Hyster-Yale Materials Handling, Inc. - IR Consultant

Good morning, everyone, and welcome to our 2014 fourth-quarter earnings call. I am Christina Kmetko, and I am responsible for investor relations at Hyster-Yale. Joining me on today's call are Al Rankin, Chairman, President, and Chief Executive Officer of Hyster-Yale Materials Handling; Colin Wilson, President and Chief Executive Officer of NACCO Materials Handling Group; and Ken Schilling, our Senior Vice President and Chief Financial Officer. Also joining me on this call are Jon Taylor, head of business development for NACCO Materials Handling Group and the current CEO of Nuvera, our newly acquired fuel-cell business; and Rajiv Prasad, our Senior Vice President responsible for product development, manufacturing strategy, and supply chain.

You may have questions about our recent acquisition of Nuvera. Given that this is our first earnings call since the acquisition, we want to take this opportunity to provide you with more insight into the reasons for the acquisition and our plans for this business moving forward. As a result, our format today is going to be a bit different than our normal earnings call format. I will cover our quarterly consolidated results and the Nuvera results, and then I will turn the call over to Colin, who will outline briefly the background leading to our acquisition of Nuvera. And then Jon Taylor and Rajiv Prasad will provide further detail. We will wrap up with our lift truck results and outlook and then open up the call for your questions.

Before we start, let me begin with the formalities. Yesterday, we published our fourth-quarter and full-year 2014 results and filed our 2014 10-K. Copies of the earnings release and 10-K are available on our website at [Hyster-Yale.com](http://Hyster-Yale.com). For anyone who is not able to listen to today's entire call, an archived version of this webcast will be on our website later this afternoon and available for approximately 12 months.

I would also like to remind participants that this conference call may contain certain forward-looking statements. These statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements made here today in either our prepared remarks or during the following question-and-answer session. We disclaim any obligation to update these forward-looking statements, which may not be updated until our next quarterly earnings conference call if at all. Additional information regarding these risks and uncertainties was set forth in our earnings release and in our 10-K.



Also, certain amounts discussed during this call are considered non-GAAP. The non-GAAP reconciliations of these amounts are included in our earnings release and available on our website. Now for our consolidated quarterly results.

Let me start out by saying that overall, currency was not our friend this quarter. While our quarter results have a number of puts and takes that will be explained in further detail later in this call, our underlying operations, particularly the Americas and Asia Pacific region, performed well overall during the quarter, but the effective unfavorable currency movements paints a different final result. In addition, our acquisition of Nuvera Fuel Cells late in the fourth quarter added a few nuances and a new reporting segment to our reported results. Going forward, we will discuss the lift truck business and the Nuvera business as separate segments.

Our consolidated fourth-quarter 2014 revenues were down slightly to \$710.7 million from \$717.9 million in 2013. Consolidated operating profit also decreased to \$33.2 million from \$35 million in 2014, but our fourth-quarter 2014 net income increased to \$26.4 million, or \$1.61 per diluted share, from \$25.7 million, or \$1.53 per diluted share, in 2013.

Before I hand the call over to Colin, let me explain the effect of the Nuvera acquisition on our results. We acquired Nuvera, a development stage technology and product development company focused on fuel-cell stacks and related systems, on December 18 for approximately \$6.9 million of cash. Because Nuvera is still in the development stage, it did not generate any material revenues during the two weeks that we owned it in 2014, and it reported a net loss of \$1.4 million. This net loss was the tax-effective result of \$2.2 million of operating expenses, which included \$1.5 million of post-acquisition severance costs and \$700,000 of general operating costs.

In addition to the Nuvera post-acquisition results, we incurred approximately \$600,000 of pre-acquisition costs during the fourth quarter and a total of \$900,000 for the full year, which we have reported in our lift truck results. So all in, we recognized \$3.1 million of expense in 2014 related to Nuvera, which is included in our consolidated operating profit.

Those are the results. Now let me turn this over to Colin Wilson to talk about Nuvera. Colin?

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**Colin Wilson** - *Hyster-Yale Materials Handling, Inc. - President and CEO of NACCO Materials Handling Group*

Thanks, Christy. We are very excited and optimistic about the acquisition of Nuvera, which we completed in December 2014. We believe the fuel-cell market for lift trucks is a significant growth opportunity, and we want to be able to participate in that growth. The Nuvera acquisition supports our key strategies of low cost of ownership, meeting customers' needs, being leaders in independent distribution, and increasing our presence in the warehouse business.

Our due diligence indicated by the Nuvera product range had many features and advantages over competitors' products, and we believe the ability to fully commercialize Nuvera's three core technologies of hydrogen fuel generation, hydrogen compression, and hydrogen fuel cells will provide us with long-term competitive advantages.

We have owned Nuvera for around two months now, and we've been very pleased with the immediate progress of Nuvera, the development of its plans, and with the team so far. Jon Taylor and Rajiv Prasad were both key members of the acquisition team, and I will turn the call over to Jon and Rajiv so they can give you some background on why we bought Nuvera and our go-forward plans. First Jon, the current CEO of Nuvera.

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**Jon Taylor** - *Hyster-Yale Materials Handling, Inc. - VP of Financial Planning*

Thanks, Colin. As Colin mentioned, we have owned Nuvera for two months. We have fully engaged with the Nuvera team following the acquisition. We have worked with the entire Nuvera team to establish a much more commercial set of priorities than under previous ownership, and I am very encouraged by the team's response to this challenge.



Our primary goal is to be a major supplier of fuel-cell engines to power lift trucks. We will move rapidly to bring our solutions to market, with first production later this year. I will go into our plans in more detail later, but it may be useful for Rajiv to talk first about the science behind our fuel-cell business and our development priorities.

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**Rajiv Prasad** - *Hyster-Yale Materials Handling, Inc. - SVP, Global Product Development, Manufacturing and Supply Chain Strategy*

Thanks, Jon. Today there are three main alternatives for providing power energy to power fuel-cells to power lift trucks: LPG/spark-ignited internal combustion engines used in classes four and five lift trucks; diesel/compression ignition IC engines for class four, five, and our Big Truck range; and lead acid batteries used in class one, two, and three products. Each of these solutions is used today to meet the needs of customers in different applications and duty cycles, and we believe these will remain significant alternatives in the industry. However, there is increasing demand for higher energy efficiency, improved overall productivity, and lower emissions power solutions. Lead acid batteries have been a primary solution to offer the lower-cost, zero-emission solution.

However, there's always been a level of dissatisfaction with the performance and cost of managing lead acid batteries. Internal combustion engines offer high performance and low fueling costs. However, their energy efficiency, inherent high service and maintenance costs, and carbon emissions are growing concerns amongst many customers.

To determine the best path to meet customer needs and deliver the lowest overall cost of ownership, we have explored all energy alternatives in the marketplace. Our analysis led us to conclude that there are multiple advanced technologies for fueling lift trucks including lithium-ion batteries, compressed natural gas, and hydrogen-powered fuel cells.

Each of these technologies, alongside the traditional lead acid batteries and internal combustion engine power, has a place in meeting customers' needs. We believe the most promising technology to meet higher kilowatt usage and our environmentally sensitive applications is the hydrogen fuel cell.

Hydrogen has three characteristics that make it appropriate for mobility application. One, it can be considered to be portable electricity. Two, it is clean. When used in a fuel cell, the only emission is water. Three, the truck can be refueled in a few minutes just like gas or diesel. In addition, our research found significant investments in fuel-cell technology by automobile OEMs to meet zero-emission requirements, providing significant validation of the technology in mobility applications as well as the development of the fuel-cell hydrogen supply chain that would allow us to participate in and, at the same time, leverage automotive volumes and designs, much as we do with many parts of our existing internal combustion engine-powered vehicles.

Lastly, we found Nuvera's technology portfolio to provide the best fit with our industry and customer requirements. This includes the ownership of technology and patents across the hydrogen value chain starting with fuel generation, purification, compression, dispensing, and ultimately ending at the use of hydrogen to produce electricity in the fuel cell. In addition, Nuvera fuel-cell design with significant distinctive design features proved to be the best fit for the needs of industrial mobility customers, giving us confidence that the technology packaged in our Hyster and YaleICE products would meet the durability, reliability and efficiency needs our customers have come to expect.

In lift truck applications, fuel cells offer several significant advantages over traditional lead acid batteries used in most class 1 to 3 lift trucks today. The benefits include, first, increased productivity, primarily the quick refueling of hydrogen compared to exchanging used batteries or fully charged ones. This process takes up to 20 minutes three to four times a day.

Second, their ability to meet the power and productivity requirements of high-duty-cycle applications. Batteries of greater than 20 kilowatt hours are not feasible in many applications, while our fuel-cell roadmap will be able to deliver power up to 100 kilowatts across our product line.

Third, increased space utilization, as space previously used for battery chargers and storage can be converted to productive space.

Fourth, constant power output over a shift, which improved productivity of warehouse operations (technical difficulty) reduced maintenance costs for lift truck electronics.

Fifth, lower costs. Fuel-cell powered electric trucks offer significantly lower cost of service and maintenance compared to internal combustion engines.

And finally, fuel cells are environmentally clean, generating up to 80% reduction in carbon footprint and allowing use in applications that could previously only use internal combustion engine power.

While we expect to continue to develop new fuel-cell technologies and products, our short-term priority is the first commercialized fuel cells for the development of the PowerEdge battery replacement for use in class one, two, and three products. This initial phase will use the Orion generation-one technology, which is currently ready for production. This year, we will complete a program of using this core technology in a battery replacement module to allow customers to remove lead acid batteries and replace them with fuel-cell units.

This is largely a packaging and integration exercise, but we require significant time to test and validate the integration of these components for use in lift truck applications. Phase 2 will be the development of integrated fuel-cell engines throughout our product line, including our largest lift trucks used in ports for container handling. This phase will use our Orion generation-two stack technology, taking advantage of this design's increased energy density and lower energy, lower cost to ensure we can deliver fuel-cell engines that meet the requirements of these heavy-duty applications. We believe this will provide us with significant competitive advantages by offering the benefits of an electric powertrain or even the largest trucks with intense application duty cycles. Our ability to integrate the Nuvera technology with our deep understanding of customer and application needs will allow us to offer zero emissions and lowest cost of solutions to our most demanding customers.

We believe the Nuvera fuel-cell stack has unique design features that make it highly applicable in industrial mobility applications. The combination of a metallic substrate construction and open flow-field architecture provides our stacks with leading energy density, durability, and reduced costs. Our engineering, supply chain and manufacturing teams are working closely with the Nuvera team to ensure our system is specifically designed to meet the rigorous needs of lift truck customers.

We have developed a modular design concept that allows us to utilize a common architecture that can be mix-and-match across the multiple power and footprint requirements of electric lift trucks. This will enable us to provide not only fuel cells for new unit production but also for use in broader existing populations of class 1 to 3 lift trucks -- not only Hyster and Yale, but for other lift truck brands.

Now I'll turn the call back to Jon. Jon?

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**Jon Taylor** - Hyster-Yale Materials Handling, Inc. - VP of Financial Planning

Thanks, Rajiv. We believe these attributes will prove to be significant advantages in other applications as well and are reviewing several exciting opportunities to leverage this technology with partners in many industries. We plan on offering these products to our customers beginning in the fourth quarter of this year.

We have already had substantial interest from several major customers in the warehouse space. They are interested in this product due to the combination of the distinctive technical capabilities of Nuvera technology that Rajiv just described and the integration and commercial expertise of NMHG. We are reviewing our PowerEdge program with them and are beginning the process of selecting customers for our early production demonstration units.

We also intend to invest in exploring the opportunity to fully industrialize the PowerTap hydrogen appliance, combining Nuvera's technological expertise with the commercial strengths of NMHG's supply chain, manufacturing capabilities, and distribution to ensure that we have the most cost-competitive hydrogen solutions for our customers. Our fuel-cells strategy will also include the use of alternative commercial sources of hydrogen for applications where it is more appropriate.

Of course, to realize the full potential of Nuvera, further work is needed to commercialize the Nuvera technology, and investments will need to be made. As a result, we expect to incur pre-tax losses of \$40 million to \$50 million cumulatively over the next two to three years before we are in a position to break even. We believe this is a highly efficient method of investing in new solutions for our customers. Rather than invest after-tax



dollars in the acquisition of new technologies, we are able to invest pre-tax operating expenses seeking partnership opportunities and to realize the income tax benefits along with potential R&D tax credits associated with this type of investment.

In addition, our projected losses for Nuvera are on a stand-alone basis and do not include the synergistic impact on lift truck volume we expect to achieve by increasing share due to this solution, along with the ongoing after-market revenue for these trucks. We also believe that by being able to guide the development and integration of the fuel-cell technology to meet the rigorous needs of lift truck customers, we will ensure we have a best-in-class solution that will help drive volume for both Nuvera and our lift truck business.

In the short term, we expect a net loss of approximately \$13 million to \$15 million in the Nuvera segment in 2015 as we focus on fully commercializing its fuel-cell research and technology and integrating this technology into our lift truck product range.

As Colin stated, we are extremely excited and confident about this acquisition. We view this as an investment that creates an additional key opportunity to support many of our core strategic initiatives.

This acquisition also gives us the ability to own rather than buy a potential key long-term strategic component for our lift trucks. It also provides us with the ability to participate actively in the growing fuel-cell market and expand our offering of best-in-class energy solutions to our customers through the integration of fuel cells with lift trucks in a way that is expected to optimize the performance and energy efficiency of the combined system. We are fully committed to leveraging this opportunity to deliver truly exciting innovations for our customers.

Now let me turn this back over to Christy.

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**Christina Kmetko** - *Hyster-Yale Materials Handling, Inc. - IR Consultant*

Thanks, Jon. Now let me discuss the lift truck business results. Our lift truck revenues were impacted significantly by currency but still came in generally in line with the forecast we provided last quarter. Last quarter, we told you that we expected the Americas market to slow during the fourth quarter, that market growth will be driven by Western Europe in the Middle East and Africa markets, and that there would be weakness in the Latin America and Brazil markets. As it turns out, that was not exactly the case. While the majority of our new-unit shipment gains came from North America as expected, the market growth was more than expected, and Latin America and Brazil contributed to that growth.

Our new-unit shipments increased substantially during the fourth quarter, mainly due to an increase of over 1,200 units in the Americas resulting from large orders placed as major customers refreshed their fleets. But substantial client shortfalls in Europe, primarily in Eastern Europe, partially offset the Americas improvement. The increase in shipments and the large orders during the fourth quarter put our full-year shipments at approximately 87,600 units and drove our backlog up 5% from the third quarter to approximately 28,100 units.

We continue to focus on the elements of the business we have the most control over and believe our strategic initiatives are gaining traction, as evidenced by the increase in unit shipments. As we expected, we experienced increased unit volume, a shift in sales to higher-priced lift trucks, and higher parts revenue during the fourth quarter. These favorable items were partially offset by lower fleet services and anticipated pricing pressures. However, despite the net improvement from the factors we have more ability to control, overall revenues decreased in the fourth quarter of 2014 compared with 2013 primarily as a result of unfavorable currency movements of \$16.1 million from the further weakening of the euro against the US dollar.

Currency was also one of the main drivers of our reduced gross profit, along with pricing pressure and unfavorable manufacturing variances. Even though gross profit declined slightly, fourth-quarter operating profit for the lift truck business increased from \$35 million in 2013 to \$35.4 million in 2014 as a result of the substantial decrease in selling, general, and administrative expenses, mainly due to lower incentive compensation estimates, of which \$2.6 million was related to non-cash equity compensation, favorable product liability experience and favorable foreign currency movements of \$1.2 million. Also, remember, the SG&A in the lift truck business includes the \$600,000 of Nuvera pre-acquisition costs.

Now let me turn to the outlook for our lift truck business. We believe growth rates for the global forklift truck market are expected to decelerate in 2015, resulting in only nominal growth compared with 2014. We expect modest growth in the Western Europe, Asia-Pacific, and China markets

during this time, while the Americas, Eastern Europe, and Middle East and Africa markets are expected to be relatively flat. The Japanese market is expected to decline modestly after increasing close to 10% during 2014.

Nonetheless, despite these mixed market conditions, we expect a moderate increase in unit shipments and parts volumes. And as a result of the continued execution of our strategic initiatives and anticipated market share gains, we expect an increase in sales in 2015 compared with 2014. These new shipments are expected to be driven by Europe and North America, with moderate increases in Asia-Pacific.

In addition, unit shipments in Brazil are expected to increase in 2015 after the first quarter but from low 2014 levels. Because of our strategic initiative focused on increasing our presence in the warehouse product market, we do anticipate that the increase in unit volume is partially -- will be partially offset by a shift in sales mix to lower-priced lift trucks.

We have discussed during -- as we discussed during 2014, we recognized a gain on the sale of our Brazil plant for \$17.7 million, or \$11.5 million after tax. If you exclude the effect of this gain on 2014, we expect the 2015 lift truck segment's operating profit to be similar to 2014.

However, the individual quarterly results will be a bit more volatile. We are forecasting substantially lower operating profit in the first half of 2015 primarily as a result of higher cost and manufacturing inefficiencies from lost production times expected in the first quarter from our transition to the new plant in Brazil. In addition, European operating results are expected to be weak during the second quarter due primarily to softness in some of our key markets.

Nonetheless, we anticipate that improvements in the second half of the year will offset the declines in the first half. The increases we are anticipating in unit shipments and part sales are expected to be offset by higher employee-related expenses, including incentive compensation estimates, as well as the higher manufacturing and operating costs associated with the transition to the new Brazil plant and the rollout of global manufacturing information technology systems in 2015.

Overall, excluding the gain on the sale of the Brazil plant, we are anticipating that the 2015 lift truck business net income will decline moderately from 2014 primarily because of higher income tax expense resulting from non-recurring tax benefits received in 2014 and a higher effective income tax rate caused by an anticipated increase in income from our Americas operations, which have a higher tax rate.

Looking at the geographic segments within our lift truck business, we expect the Americas 2015 operating profit to increase compared with 2014, excluding the gain on the sale of the Brazil facility. However, it is worth noting that the first half of the year, particularly the first quarter, is expected to be down compared with 2014 primarily as a result of the move to the plant starting this quarter. As production at the new facility ramps up, we expect operating profits to improve over the course of the second half the year.

We expect the operating profit in Europe to decrease in 2015 as a result of unfavorable foreign currency movements, pricing pressures, and costs associated with market share gain initiatives. And we expect Asia-Pacific operating results to increase compared with 2014 primarily as a result of the anticipated favorable effect of improved pricing and an anticipated increase in unit volume despite higher expenses expected for market share gains -- market share gain initiatives.

Finally, we expect cash flow before financing activities in the lift truck business to improve in 2015 due to moderated working capital requirements.

We continue to be hopeful that economic growth will improve in 2015 but are mindful of the uncertainties and risks in certain markets. The overall macro challenges we saw in 2014 are likely to persist in 2015. We will continue to execute our key strategic initiatives, and if we see more positive economic momentum than we discussed here, we believe we are well positioned to respond and deliver better results to our customers and our stockholders.

One last item worth noting before I open up the call for questions is that we have effectively completed our \$50 million stock repurchase program that was started in December of 2012. Since that time, we have purchased almost 695,000 shares for an aggregate purchase price of \$49.8 million, including approximately 591,000 shares in 2014 for an aggregate purchase price of \$44.6 million.





That concludes our prepared remarks. I will now open up the call for your questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Joe Mondillo, Sidoti and Company.

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### Joe Mondillo - Sidoti & Company - Analyst

So I guess I will start with the Nuvera acquisition. I understand the technology and how it could be pretty much a home run. I'm just wondering how big of a sort of, I guess, a gamble would you say the acquisition of the technology -- or the technology is? In other words, how much certainty do you know in three or four years that this is the new source of power for the industry?

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### Al Rankin - Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO

This is Al Rankin. I think I'd like to again ask Rajiv to talk about that. We are doing a lot of development work in a number of different technologies -- battery technologies as well as fuel cells. But I think we have a particular point of view about fuel cells, and their applicability. And Rajiv mentioned in particular the confidence we have in the particular technology that this company has in comparison to others that are out in the marketplace. Rajiv, maybe you would like to elaborate in answering that question.

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### Rajiv Prasad - Hyster-Yale Materials Handling, Inc. - SVP, Global Product Development, Manufacturing and Supply Chain Strategy

Sure. So there's two elements, I guess, to the question. The first one is the applicability of the fuel cell technology that Nuvera has to lift trucks. And we believe, as I said, that generation-one Orion is fully developed; we're just going through the integration process. And that fuel-cell stack is an excellent match for class one, two, and three battery box replacement units. So we believe that is an excellent match for the product.

In terms of how useful the fuel-cell technology is for our customer base, we feel that for high-productivity customers who require -- who are looking for a different solution than lead acid batteries, it's a very, very good fit, and we have already seen some traction in this -- from fuel cells in the industrial mobility market.

So on both of those circumstances, we see a good fit both in terms of match to -- technology match to fuel cell and lift trucks, as well as the fuel match of hydrogen to our industry.

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### Joe Mondillo - Sidoti & Company - Analyst

So I guess --

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### Al Rankin - Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO

I'll just elaborate a little bit on that by saying that in my own mind, I divide this into the shorter term and the longer term. In the shorter term, we feel that we have a technology that can be commercialized quite quickly. And that we are very fortunate to have had this opportunity to buy a company that is -- had reached this level -- this stage in its technology development and then apply our ability to commercialize these products for the lift truck market. So I think we feel that the risk profile of commercializing the existing technology and finding a very acceptable set of applications in the marketplace in the near term is quite good.





As your opening comment in your questions suggested, however, if you look at the longer term, there is real opportunity for this technology to do things that we certainly hope may come to pass but which we're not banking on at this time. We think it's certainly possible that as the costs come down, as we apply this technology, as we develop our PowerTap capability for local sourcing of hydrogen in the appropriate application -- locations that we may well be able to drive a level of application of this technology that would be hard to be clear about today.

So I think the way I would leave it is that we have a great deal of confidence about our short-term prospects and finding a very good level of application for our project for both phase 1 and phase 2. And then in the longer term, there may be a great deal of upside potential, but I think it would be imprudent for us to really count on that at this time, and we're not managing the business with that in mind. We are commercializing. We're going to get into the marketplace in a very solid way, and then we will take the next steps as appropriate much further down the track. Hope that answers your question.

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**Joe Mondillo** - *Sidoti & Company - Analyst*

Yes, it does. Very helpful. I just had a couple follow-ups to it, though. First off, is the two to three years, is that just attempting or trying to incorporate it into the trucks? Or does that also incorporate -- you said two to three years until breakeven, so does that include time where you are actually commercializing the truck, trying to sell the trucks with this technology, but you are still losing money on the venture?

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

Jon, would you like to answer that question?

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**Jon Taylor** - *Hyster-Yale Materials Handling, Inc. - VP of Financial Planning*

Yes, you are exactly right. We plan on offering product to the customers the end of this year and begin full production next year. So we will begin ramping up the volume in sales and margins achieved, and that will begin to offset the expenses that we are investing this year. So I think you can expect to see a continued ramp-out of the product through phase 1 then into phase 2, beginning to offset the investment that we have this year and bringing us towards that break-even point in year three.

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**Joe Mondillo** - *Sidoti & Company - Analyst*

Okay. So if that's the case, then, if you are offsetting some of the expenses that you're going to see this year, you would see less expenses related to this next year. So how do you get to the \$40 million to \$50 million in the two- to three-year time period?

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

Well, the \$40 million to \$50 million, or the \$13 million to \$15 million, of net losses in 2015 are really the ongoing level of expense to develop -- to enhance the technology and commercialize it. And then we begin to have revenues that generate operating profit toward the end of this year and into next year. And we would hope at the beginning of year three that the volumes would be generating enough operating profit to cover the GS&A expenses which include a continued level of -- a substantial level of technology development and further commercialization, gen two and other products as Rajiv outlined.

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**Joe Mondillo** - *Sidoti & Company - Analyst*

Okay. So you may spend the same amount, if not maybe more, next year, but the revenue will offset that so that the bottom line is potentially less than the \$14 million that you see this year. Is that sort of how to look at it?

**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

That's right. And I think that is the right way to look at it. But I would further emphasize that from our point of view, we tend to look at this as a single investment made over three years on the order of the combination of the very modest upfront purchase price of \$6.9 million in cash plus the operating loss on a net income basis in 2015 plus a net loss in 2016. And we think of that as the total investment, if you will, that we are putting into this to drive it to breakeven.

So we think that it's -- we are fortunate because of the tax benefits to be able to do it this way as opposed to buying the Company two or three years from now. And with that commercialization all completed, we think that we are in a better position to expense those on an -- and gain after-tax benefits for our investment in the R&D that is necessary to commercialize the products. So we look at this as an upfront investment over three years and then a break-even position.

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**Joe Mondillo** - *Sidoti & Company - Analyst*

Okay. I just had one question regarding the core business, and then I will hop back in queue.

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

We have one more comment, I think, from Jon here on the Nuvera business. Jon?

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**Jon Taylor** - *Hyster-Yale Materials Handling, Inc. - VP of Financial Planning*

Joe, the other thing that I wanted to make sure people recognize is the numbers we're talking about are for Nuvera as a stand-alone business. The core part of this strategy is to use this technology to drive our strategic initiatives and help us gain incremental share. And so you can think of it as every time we're going to sell a lift truck into the warehouse equipment space or other applications where this is an incremental sale because of the technology, that profitability and the ongoing after-market profitability is not reflected in my numbers. That would be an improvement in the core lift truck business operating profit, but is not included in my results.

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**Joe Mondillo** - *Sidoti & Company - Analyst*

Okay, great. Thanks for clearing that up. So I just had one question on the core business before I let someone else get a chance here. I just want to understand your outlook for the year. It sounds like the industry itself will be sort of flattish -- maybe varies depending on region, but overall flattish. You guys will outperform that as you go through these -- you have been going through the key initiatives trying to drive market share.

So it sounds like you may be top line, slightly up for the year. At the currency end, maybe sort of flattish to down. Your backlog is flat entering the year. And then you have disruptions in Brazil, maybe some issues with Eastern Europe. And then you have all the costs that are increasing related to Brazil and stock comp, I guess, and a couple other things. It's -- and it also sounded like the qualitative guidance that you provided in the press release sort of read that you are expecting operating income to be maybe comparable to 2014 on a total basis.

So with all that combined, it seems like I'm reading into it, going through all the detail, it seems like you could potentially be down for the year. However, it read that your operating income, you're expecting it to be comparable. So I'm just trying to decipher all the puts and takes between your outlook.

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

Well, I think your summary was pretty well correct. And if you exclude the gain on the sale of assets in the Brazil -- the old Brazil plant from 2014's results, and you exclude the -- of course, the Nuvera acquisition so that you are looking just at the lift truck business, we would expect that our operating profits are going to be relatively flat for the year.

But as Christy noted, the first two quarters are going to be more difficult. We have Brazil. We have some of the issues in Eastern Europe that affect us. And the second half of the year, we think, will be stronger comparisons than the first half of the year.

So I think, roughly speaking, the summary that you went through is right. But you put all those puts and takes in there, and we think we're going to come out in essentially roughly comparable operating profit.

I would note, however, that there is some increase in GS&A, maybe a couple of percent or so, that is due to the annualization of the new hires who are important to our strategic initiatives in the sales and marketing areas, particularly in the Americas and in Europe. And in that sense, Colin, I think it's appropriate to say that we think that process of manning up to accomplish our strategic initiatives on an annualized basis is pretty much over. And we will see that flow through the year (multiple speakers) --

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**Colin Wilson** - *Hyster-Yale Materials Handling, Inc. - President and CEO of NACCO Materials Handling Group*

Yes, we had a significantly -- back end of 2014. So our new structures are in place. We are substantially manned. We still have a few additional people to bring on board. But we basically have our organization set now for the delivery of the strategic initiatives.

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

Colin, why don't you just make a comment about our gathering of our senior leadership team in January and -- it's the first time we brought all these people together as a complete team with the fully fleshed-out organization structures in the sales and marketing areas around the world. And I think it brought us all together. Colin?

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**Colin Wilson** - *Hyster-Yale Materials Handling, Inc. - President and CEO of NACCO Materials Handling Group*

Yes, the objectives were really threefold. First of all, we wanted to celebrate the progress we have made over the last couple of years as a separate public Company. Then we wanted to basically get everybody calibrated on what the challenge was or what the commitment was in terms of our business going forward. And then thirdly, to identify any gaps, any additional initiatives we needed to put in place in order to drive towards a 7% operating profit.

We had a central (inaudible) meeting. We had about 90 people from all around the world, all our key business units, anybody that has responsibility for a P&L together with all the senior staff of the operating divisions themselves. We reviewed the strategies; we looked at it region by region, strategy by strategy. It was a very electric meeting. And at the end, I believe we had a full alignment from the whole organization about what we had to get done. And everybody committed in writing to the task ahead, and I really believe it got us set to drive our business forward during this cycle to hit the 7%.

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

And the target time frame, we think, for the peak of this cycle, which is when our objective is to reach the 7%, is probably in the 2017 or so time frame. So the objective was to bring everybody together, make sure that the programs and implementation of those programs was going to put us into a position to all pull together to generate the volume that would fill up our plants. Because, as you will remember, the objective here is really to gain volume -- some from the markets, some from market share -- and with the additional volume to have the additional incremental

profit drop to the bottom line, given the fact that we already have in place now, as I said a bit earlier, on an annualized basis the GS&A capabilities that we think we need to accomplish the programs to lead us to the 7% objective at the peak of the cycle.

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**Colin Wilson** - *Hyster-Yale Materials Handling, Inc. - President and CEO of NACCO Materials Handling Group*

I'll just go on to say, Al, it's really a numbers game. We set the task of getting to 115,000 lift trucks. That's what will drive the 7% bottom line. So the market's stronger. It will help us a little bit if the market is weaker. We just have to make sure that we get additional traction on our initiatives. So we really focus the organization on getting to that 115,000 trucks.

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

Okay. I hope that answers your question.

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**Joe Mondillo** - *Sidoti & Company - Analyst*

Yes, definitely. Thanks a lot. I appreciate it. Thanks for taking my questions.

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**Operator**

(Operator Instructions) Mike Shlisky, Global Hunter Securities.

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**Mike Shlisky** - *Global Hunter Securities - Analyst*

Got a whole bunch of questions, but I'll keep them brief here. Very quickly as a housekeeping item, just given all the investments you have got here in 2015 for the Nuvera deal, can you maybe update us on what you think your effective tax rate might be going forward? There's some R&D credits there and so forth. I was wondering if you could just give us some kind of a range at least to kind of help us out.

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

Let me ask Ken Schilling to address that.

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**Ken Schilling** - *Hyster-Yale Materials Handling, Inc. - SVP and CFO*

Yes, I think, Mike, the best thing to do is consider this -- this totally in the US, so -- virtually totally in the US, so I think using the US rate with a state tax rate attached to it would be appropriate. I don't think we have disclosed the amount of R&D credits we expect to earn out of it, but from a statutory perspective 35% plus 4% or so percent would be probably in the range.

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**Mike Shlisky** - *Global Hunter Securities - Analyst*

In the range for that investment?

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**Ken Schilling** - *Hyster-Yale Materials Handling, Inc. - SVP and CFO*

Yes. 39% to 40% roughly would be the tax effect of those losses on our results.

**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

It's a little early to really know on the tax credits and (multiple speakers) --

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**Ken Schilling** - *Hyster-Yale Materials Handling, Inc. - SVP and CFO*

Yes. Congress reenacted them for the 2014 year. We -- everyone expects that they continue to re-up them, but you can't forecast what happens in legislative.

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

So we don't.

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**Mike Shlisky** - *Global Hunter Securities - Analyst*

Okay, got you. All right, moving on to Nuvera real quick here. I guess the first question I had was about competitive response out there. Are there other types of alternative systems that are being developed today, whether they are fuel cell or other types of propulsion that you are aware of that other folks could do? Obviously (inaudible) for every lift truck in the marketplace.

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

Let me just again ask -- turn to Rajiv to answer your question. But I would say in advance of that that we are committed to having a full range of energy sources and capabilities for our forklift trucks. We think that different kinds of energy supply systems will have different niches and be appropriate for different applications. It's not going to be a one-size-fits-all situation.

So Rajiv may want to comment a little bit on some of the other work we are doing as well as how fuel cells, again, fits with those other potential applications. And I think in the broadest sense, we think there's not going to be anything that is fully -- that would challenge fuel cells fundamentally for their niche. Rajiv?

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**Rajiv Prasad** - *Hyster-Yale Materials Handling, Inc. - SVP, Global Product Development, Manufacturing and Supply Chain Strategy*

Yes, thanks, Al. So maybe I will take a top-down approach to this. The first thing is, we continue to invest heavily in our current fuel systems. Just to give you an idea, the diesel engine systems have been going through a heavy change in their legislative requirement -- emission requirements. And we've invested over the last five years or so close to somewhere between \$25 million and \$30 million developing the new -- and integrating the new diesel solutions. So we believe that traditional fuel systems will continue to pay a big part in the lift truck marketplace, and we continue to invest.

In terms of the emerging energy solutions, the ones that you can see being applied in automotive and also will be applicable to lift trucks, the advanced batteries such as lithium-ion, we have done significant amount of work in that area. We've looked at compressed natural gas. But in our research, especially for our productive customers who are running multi-shift operations, our conclusion is that fuel cell is the right solution for those type of customers, especially if they are looking for an emission-free and lead-acid-battery-free application.

And there are competitive fuel cell solutions out there for the reasons I have stated before such as the substrate -- the metallic substrate, the open field giving us the higher power density. Some of those characteristics of our fuel cell will make it a leading solution for our market.

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

Rajiv, you might just comment a little bit on our perception that while fuel cells will have a role to play in automobiles as well as forklift trucks, that the requirements for those fuel cells in the technology is likely to be different.

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**Rajiv Prasad** - *Hyster-Yale Materials Handling, Inc. - SVP, Global Product Development, Manufacturing and Supply Chain Strategy*

Yes, I think that's a key point, Al. So if you think about cars, and we think about life of cars in terms of how many miles they are driven -- so let's use 150,000 miles, this is around 6,000 hours of use. We are designing our productive lift trucks to be 20,000-hour life, and under those circumstances you need the fuel system to have a much higher level of life and robustness. And that's where the Nuvera solution differentiates itself and becomes more applicable for industrial mobility.

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

And that's really a key point for us because our niche, of course, is in forklift trucks. And I think it's fair to say, Rajiv, that the enormous proportion of the development technology in fuel cells has gone into the automotive side of the business and very little, relatively speaking, into the development of specialized fuel cell stacks for the sort of heavy-duty, robust requirements of the forklift truck industry.

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**Rajiv Prasad** - *Hyster-Yale Materials Handling, Inc. - SVP, Global Product Development, Manufacturing and Supply Chain Strategy*

You are right, Al. I think the two main areas fuel cell development has focused on is, number one, stationary power, which obviously are very different application to mobility. And in mobility, the biggest focus has been automotive, as you can start to see some of the OEMs are now releasing their fuel cell solutions and will continue to do so over the next couple of years.

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**Mike Shlisky** - *Global Hunter Securities - Analyst*

Okay. If I can just squeeze in one more, maybe a two-part question here on the technology itself. You had mentioned earlier that you can basically refuel a fuel cell system similar to the time frame of a gas or diesel tank. My question is the first part, do you have any view as to whether the range or the time between refuelings is longer or shorter than other systems? And secondly, is there any kind of special kind of transmission or any kind of any parts needed that you don't see in an ordinary diesel truck that you have to have on these trucks?

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

Rajiv?

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**Rajiv Prasad** - *Hyster-Yale Materials Handling, Inc. - SVP, Global Product Development, Manufacturing and Supply Chain Strategy*

Yes, I'll take that one. So maybe firstly, refueling. The refueling is, again, as you said, very straightforward. Maybe I'll describe it. You plug the hydrogen supply nozzle into our system. You also have to make a connection to extract the water out because, as I said, the only output of a fuel cell is water. And you make an electrical connection. So it's done in a few seconds. It refills in about 4 to 5 -- depending on the size of the tank. And the size of the tank determines -- and the application determines -- how long. We are planning the size of tanks so they will go half a shift for sure and will extend up to a shift, which will make it relatively straightforward and convenient to refill.

The -- in terms of --

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**Colin Wilson** - Hyster-Yale Materials Handling, Inc. - President and CEO of NACCO Materials Handling Group

Time to refuel.

**Rajiv Prasad** - Hyster-Yale Materials Handling, Inc. - SVP, Global Product Development, Manufacturing and Supply Chain Strategy

Yes, time to refuel is about three to five minutes, I would say. That's a good indicator. You had a following part of the question?

**Mike Shlisky** - Global Hunter Securities - Analyst

Yes, I was just curious if you -- if these new trucks need any kind of a transmission or other special parts that other trucks don't normally have.

**Rajiv Prasad** - Hyster-Yale Materials Handling, Inc. - SVP, Global Product Development, Manufacturing and Supply Chain Strategy

Yes, thanks. So this is, again, very good from our perspective because, as you may know, over the last few years, we've rolled out a new set of electric trucks, both for our warehouse products and especially for our counterbalanced product line. And you can put the fuel cell system in without any changes. You can basically pull the battery pack out of those trucks and put a very -- exactly the same dimension pack in with fuel cell in, and it will work just the same, with the same powertrain. And in our phase 2, we will utilize those developments to integrate a fuel cell in future trucks.

**Mike Shlisky** - Global Hunter Securities - Analyst

Great. I will leave it there. Thank you so much. Thank you so much.

**Colin Wilson** - Hyster-Yale Materials Handling, Inc. - President and CEO of NACCO Materials Handling Group

(multiple speakers) fuel cell is going to give you constant power, right?

**Rajiv Prasad** - Hyster-Yale Materials Handling, Inc. - SVP, Global Product Development, Manufacturing and Supply Chain Strategy

Constant power, that's right.

**Colin Wilson** - Hyster-Yale Materials Handling, Inc. - President and CEO of NACCO Materials Handling Group

So you won't get the degradation of the battery.

**Operator**

Joe Mondillo, Sidoti and Company.

**Joe Mondillo** - Sidoti & Company - Analyst

I just had a couple of quick follow-up questions. First off, I was wondering how much product mix was a positive or a negative in 2014 and how you look at that in 2015.





**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

In 2014, product mix was not a major factor in the fourth quarter. It was significant over the full year, and it was really a positive compared to 2013. As we look to 2015 in comparison to 2014, product mix is really going to be, in all likelihood, a negative. I think we called out in the press release that we expected to sell more product in the warehouse area. And those are lower-value products, and so we would expect some negative mix impact that offsets unit volume increases in 2015 compared to 2014.

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**Joe Mondillo** - *Sidoti & Company - Analyst*

Okay, great. And then foreign currency -- I guess it was about a 2% headwind. I think you mentioned \$16 million in the fourth quarter, so 2% I guess?

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**Christina Kmetko** - *Hyster-Yale Materials Handling, Inc. - IR Consultant*

Yes.

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

Yes.

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**Joe Mondillo** - *Sidoti & Company - Analyst*

I was a little surprised that it wasn't higher. How big of a headwind -- I imagine it's going to be a bigger headwind in the first half of the year. But given that 50% of your revenue roughly is from outside of the US, how is that only 2%?

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

You rightly calibrated the number for the fourth quarter. You mentioned, I think, the \$16 million number. But if you look to next year, we see very significant foreign currency headwinds in comparison to 2014. And they will be obviously quite significant in quarters one, two, and three, with quarter four not so significant because we've already had the \$16 million of currency swing. And so if you look at that from a year-on-year basis, it's not as -- it doesn't have as big an impact. But I think your surmise is correct that that is a significant headwind for us in terms of revenue.

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**Ken Schilling** - *Hyster-Yale Materials Handling, Inc. - SVP and CFO*

The euro dollar went from \$1.36 -- I'm sorry, from \$1.36 to \$1.22. That was a 10% decline throughout the year. As you have been following lately, obviously the euro is even weaker than when it exited 2014. So we are going to see that translation of our sales from our European unit, which their functional currency is the euro, into lower US dollars even though euro sales would reflect the unit sales in that territory and not necessarily be reduced because of the unit issues.

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

Let me just say about currencies in a different sense than revenues that I think we've tried to have a very thoughtful program of hedging our cost structures. And we hedge very differently when the euro is strong in comparison to the dollar than we do when the dollar is very strong compared to the euro. We look at each currency. And we are prepared when you have a very strong dollar to go forward on currencies to lock in a competitive benefit over a relatively extended period of time depending on how overvalued compared to more normal times a particular currency is. And at this point is the dollar.



So we tried to take advantage of circumstances of the strong dollar in working with our supply chain activities. And as you know, while we have a strategy of manufacturing and -- of assembling -- fabricating and assembling in the market of sale and each major market of sale around the world.

On the other hand, our components are produced all over the world. We have components that are sourced with really very good suppliers that are European suppliers. We have components sourced in Japan. We have components sourced in low-cost countries. We have components sourced in the US. And those are flowing -- all those components are flowing to plants in the US, plants in Europe, and plants in Asia. So currency hedging, when you have the sort of volatility that we have right now, we hope can be an advantage for us over the longer term.

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**Joe Mondillo** - *Sidoti & Company - Analyst*

Okay. So I just wanted to really just understand the exposure that you have. So 2% in the fourth quarter. Like Ken said, the euro itself was down 10%. So your European region is 25% of your sales. If all of that 25% is the euro, which I don't think is all the euro, but if it's all the euro, 10% headwind on the euro would make it 2.5% just on that 25% exposure alone. So I'm wondering -- I was just uncertain in how it's only 2% headwind in the fourth quarter given all the currency movements against the dollar.

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**Ken Schilling** - *Hyster-Yale Materials Handling, Inc. - SVP and CFO*

Joe, the decline I gave you was the full year 2014, not just the fourth quarter.

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

Yes, the \$16 million was in the fourth quarter.

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**Ken Schilling** - *Hyster-Yale Materials Handling, Inc. - SVP and CFO*

Yes, it was a 10% reduction now.

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**Joe Mondillo** - *Sidoti & Company - Analyst*

So the euro was off by 8% to 10% in the fourth quarter. So -- you understand? I guess I can follow up with you.

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**Ken Schilling** - *Hyster-Yale Materials Handling, Inc. - SVP and CFO*

Yes. It's probably a good follow-up question.

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

That's the best way to handle it. We've called out the numbers, and there are many moving parts here in terms of currency flows.

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**Joe Mondillo** - *Sidoti & Company - Analyst*

I understand. I'll follow up.



I just had one last question, though, regarding Nuvera. I was wondering -- the manufacturing expenses, once you start actually manufacturing these things and incorporating into your units, is the cost of goods sold and the SG&A altogether once you start manufacturing -- is that going to be more than the \$14 million expenses that you saw this year?

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**Al Rankin** - Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO

Well, they will be cost of goods sold that are applied against the revenues that come when we produce those products. And they will be in the separate segment report for the Nuvera segment. At the moment, what you have is GS&A, which is mainly the continuation of the product development and commercialization expense. And then as we go forward, you're going to see a regular, more normal P&L with revenues and cost of goods sold put in in addition to the GS&A that's already there.

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**Joe Mondillo** - Sidoti & Company - Analyst

Right. So right now you are seeing \$14 million of SG&A. And then you're going to have a whole cost of goods sold to manufacture these fuel cell units, right?

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**Al Rankin** - Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO

Correct.

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**Joe Mondillo** - Sidoti & Company - Analyst

So the actual expenses associated with just the fuel cells itself will be probably much more than \$14 million, and then your hope is that it drives more unit sales to offset that. Is that the --

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**Al Rankin** - Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO

No, no, no. I think what we will do is sell the fuel cell products, the Nuvera products, to make a significant margin in the sale of those products. So effectively, they will be sold to either directly to customers for application in the trucks that are out in existing fleets, or alternatively sold as part of new truck sales that we have at Hyster-Yale. So it's just going to be a regular P&L for the business.

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**Joe Mondillo** - Sidoti & Company - Analyst

Okay. But looking at just the expenses, once you start incorporating costs of goods sold, which you are not seeing at all right now, the actual expenses will be higher than \$14 million (multiple speakers) --

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**Al Rankin** - Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO

Correct, but you have a margin that is associated with those additional expenses, so they are not just expenses that (multiple speakers) --

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**Joe Mondillo** - Sidoti & Company - Analyst

No, I understand.

**Al Rankin** - Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO

So it's the margin of the additional sales after the cost of goods sold that generates the reduction in the losses.

**Joe Mondillo** - Sidoti & Company - Analyst

Right, okay. Okay, good enough for me.

**Colin Wilson** - Hyster-Yale Materials Handling, Inc. - President and CEO of NACCO Materials Handling Group

(multiple speakers) which is what happens today, in which we really enjoy the revenue profitability. Then instead of buying a battery, we're going to be buying a fuel cell. And so Nuvera will enjoy the margin from that fuel-cell sale.

**Al Rankin** - Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO

Yes. Let me just emphasize what Colin said; it's a really very, very important point. We do sell batteries, but it's really an accommodation to our customers. We are, if you will, a conduit for ensuring that the battery arrives at the customer's location along with forklift truck. But we don't make much money on a battery sale. The company that makes the money on a battery sale is the battery manufacturer, not us as, if you will, a de minimis distributor.

So we hope to have a very different economic model with the fuel-cell business. This is a business now where we expect to make money on the fuel-cell sale, which we don't on the battery sale. And secondly, we expect to make money on the parts and servicing of the fuel cells, which really is not an area where we make money today on traditional batteries. So this is a very important initiative for us from a long-term point of view in terms of the economic model of the business. And I think it's important to emphasize the point that Colin made.

**Joe Mondillo** - Sidoti & Company - Analyst

You do expect to sell your units with the fuel cells already in them at some point in time. Correct?

**Al Rankin** - Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO

Well, as Rajiv in (multiple speakers) -- go ahead, Jon.

**Jon Taylor** - Hyster-Yale Materials Handling, Inc. - VP of Financial Planning

That'll be part of our phase 2 plans. Initially they will be -- basically, we are replacing -- the customers today buy about three batteries per truck and a charger. And in essence, we want to replace that sale that our current customers are doing today through a third-party company -- we want to bring that in-house and sell them a fuel-cell instead.

**Joe Mondillo** - Sidoti & Company - Analyst

Right. Okay.

**Jon Taylor** - Hyster-Yale Materials Handling, Inc. - VP of Financial Planning

In essence, have close to the same spend by the customer, but it goes through our product rather than through a third-party product.

**Joe Mondillo** - *Sidoti & Company - Analyst*

But when do you start incorporating it into your 90,000 units that you sell a year? When do you start incorporating into that?

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**Jon Taylor** - *Hyster-Yale Materials Handling, Inc. - VP of Financial Planning*

The plan for phase 2 would be -- 2017 would be when we would begin doing that. In essence, that would be the same answer. Today, the customer can choose an LPG or a diesel engine, and that has a price. And in the future, they will have a third option, which will be a fuel cell. And that will have a separate price for it, which we will sell from Nuvera to NMHG and incorporate that into the product and earn a margin on that.

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

But that's a little longer term. In the meantime, we see a broad application for fuel cells in -- as a replacement for existing batteries. And that's going to be the near-term source of revenue for us and source of margin for us that we don't get today as well as driving greater share.

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**Joe Mondillo** - *Sidoti & Company - Analyst*

Right. Okay, I understand.

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**Colin Wilson** - *Hyster-Yale Materials Handling, Inc. - President and CEO of NACCO Materials Handling Group*

I just want to emphasize a point, though. As we commercialize the PowerEdge, the battery pack replacement, we will be shipping trucks from our factories with that PowerEdge in them as early as the fourth quarter of this year and then into next year. So what Jon was just talking about was really the integration into other parts of our product range.

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**Jon Taylor** - *Hyster-Yale Materials Handling, Inc. - VP of Financial Planning*

But it will be integrated off the line in Greenville with a PowerEdge in it rather than a battery box in the fourth quarter of this year.

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**Joe Mondillo** - *Sidoti & Company - Analyst*

Okay. Thank you.

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**Operator**

Thank you. And I'm showing no further questions at this time. I would like to turn the conference back over to management for any further remarks.

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**Christina Kmetko** - *Hyster-Yale Materials Handling, Inc. - IR Consultant*

Thank you again for joining us today. We appreciate your interest. If you do have any follow-up questions, please feel free to give me a call. My number is 440-239-5168. And we will --

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**Al Rankin** - *Hyster-Yale Materials Handling, Inc. - Chairman, President and CEO*

And thank you all very much for joining us. And if you do have further questions, Christy can work to see that you get answers to them. And from our point of view, I think we've had a very, I hope for you all, helpful exchange on the opportunities that we see in our fuel-cell acquisition, both in the short term and, potentially in a very significant way, in the long term. So we thank you all very much for joining us. And I think that completes it from our point of view. Christy?

**Christina Kmetko** - *Hyster-Yale Materials Handling, Inc. - IR Consultant*

Yes. Thank you. Have a good day.

**Operator**

Ladies and gentlemen, thank you for participating in today's conference. A replay of today's call will be made available today after 1:30 Eastern time. You may listen to this replay by dialing 855-859-2056 or 404-537-3406. This does conclude today's program, and you may all disconnect. Have a great day, everyone.

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