Manitex International, Inc.
Form 10-Q
November 07, 2014
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2014

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 001-32401

MANITEX INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Michigan	**42-1628978**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**
9725 Industrial Drive, Bridgeview, Illinois	**60455**
(Address of Principal Executive Offices)	**(Zip Code)**

(708) 430-7500

(Registrant s Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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 and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

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

The number of shares of the registrant s common stock, no par, outstanding at November 5, 2014 was 13,822,918

Table of Contents

MANITEX INTERNATIONAL, INC.

FORM 10-Q INDEX

TABLE OF CONTENTS

Table of Contents

PART 1 FINANCIAL INFORMATION

Item 1 Financial Statements

MANITEX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	September 30, 2014 Unaudited	December 31, 2013 Unaudited
ASSETS		
Current assets		
Cash	$ 4,934	$ 6,091
Trade receivables (net)	44,860	38,165
Accounts receivable finance		326
Other receivables	692	1,541
Inventory (net)	81,085	72,734
Deferred tax asset	1,272	1,272
Prepaid expense and other	1,908	1,669
Total current assets	134,751	121,798
Total fixed assets (net)	10,097	11,143
Intangible assets (net)	21,783	24,036
Deferred tax asset	1,936	2,117
Goodwill	22,213	22,489
Other long-term assets	1,019	1,031
Total assets	$ 191,799	$ 182,614
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Notes payable short term	$ 7,393	$ 6,910
Revolving credit facilities	2,676	2,707
Current portion of capital lease obligations	1,693	1,812
Accounts payable	27,263	24,974
Accounts payable related parties	1,230	789
Accrued expenses	8,508	8,808
Other current liabilities	1,883	1,930
Total current liabilities	50,646	47,930
Long-term liabilities		

Revolving term credit facilities	37,819	37,306
Deferred tax liability	4,077	4,074
Notes payable	2,130	2,482
Capital lease obligations	2,992	2,984
Deferred gain on sale of building	1,363	1,648
Other long-term liabilities	1,065	1,199
Total long-term liabilities	49,446	49,693
Total liabilities	100,092	97,623
Commitments and contingencies		
Shareholders equity		
Preferred Stock Authorized 150,000 shares, no shares issued or outstanding at September 30, 2014 and December 31, 2013		
Common Stock no par value 20,000,000 shares authorized, 13,822,918 and 13,801,277 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	68,894	68,554
Paid in capital	1,751	1,191
Retained earnings	21,488	14,857
Accumulated other comprehensive (loss) income	(426)	389
Total shareholders equity	91,707	84,991
Total liabilities and shareholders equity	$ 191,799	$ 182,614

The accompanying notes are an integral part of these financial statements

2

Table of Contents

MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except for share and per share amounts)

	Three Months Ended September 30, 2014 Unaudited	Three Months Ended September 30, 2013 Unaudited	Nine Months Ended September 30, 2014 Unaudited	Nine Months Ended September 30, 2013 Unaudited
Net revenues	$ 66,197	$ 57,521	$ 197,172	$ 179,641
Cost of sales	55,282	46,320	161,509	145,944
Gross profit	10,915	11,201	35,663	33,697
Operating expenses				
Research and development costs	611	666	1,909	2,084
Selling, general and administrative expenses	6,893	5,878	21,554	19,095
Total operating expenses	7,504	6,544	23,463	21,179
Operating income	3,411	4,657	12,200	12,518
Other income (expense)				
Interest expense	(671)	(837)	(2,192)	(2,181)
Foreign currency transaction losses	(102)	(20)	(27)	(72)
Other income (loss)	71	18	(67)	9
Total other expense	(702)	(839)	(2,286)	(2,244)
Income before income taxes	2,709	3,818	9,914	10,274
Income tax	941	1,197	3,283	3,087
Net income	$ 1,768	$ 2,621	$ 6,631	$ 7,187
Earnings Per Share				
Basic	$ 0.13	$ 0.21	$ 0.48	$ 0.58
Diluted	$ 0.13	$ 0.21	$ 0.48	$ 0.58
Weighted average common shares outstanding				
Basic	13,822,918	12,352,266	13,817,538	12,307,968
Diluted	13,873,157	12,403,665	13,862,651	12,349,650

The accompanying notes are an integral part of these financial statements

3

Table of Contents

MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014 Unaudited	2013 Unaudited	2014 Unaudited	2013 Unaudited
Net income:	$ 1,768	$ 2,621	$ 6,631	$ 7,187
Other comprehensive income (loss)				
Foreign currency translation adjustments	(753)	330	(822)	(140)
Derivative instrument fair market value adjustment net of income taxes		7	7	7
Total other comprehensive income (loss)	(753)	337	(815)	(133)
Comprehensive income	$ 1,015	$ 2,958	$ 5,816	$ 7,054

The accompanying notes are an integral part of these financial statements

4

Table of Contents

MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Nine Months Ended September 30, 2014 Unaudited	Nine Months Ended September 30, 2013 Unaudited
Cash flows from operating activities:		
Net income	$ 6,631	$ 7,187
Adjustments to reconcile net income to cash used for operating activities:		
Depreciation and amortization	3,334	2,740
Changes in allowances for doubtful accounts	128	160
Changes in inventory reserves	(151)	(24)
Deferred income taxes	178	34
Share based compensation	906	584
Gain on disposal of fixed assets		(100)
Reserves for uncertain tax provisions	(104)	64
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(6,519)	5,911
(Increase) decrease in accounts receivable finance	321	210
(Increase) decrease in inventory	(9,849)	(13,027)
(Increase) decrease in prepaid expenses	(278)	(727)
(Increase) decrease in other assets	11	(934)
Increase (decrease) in accounts payable	3,550	(2,801)
Increase (decrease) in accrued expense	56	(1,026)
Increase (decrease) in other current liabilities	72	666
Increase (decrease) in other long-term liabilities	(30)	(35)
Net cash used for operating activities	(1,744)	(1,118)
Cash flows from investing activities:		
Proceeds from the sale of fixed assets		139
Acquisition of a business		(13,000)
Purchase of property and equipment	(704)	(1,025)
Net cash used for investing activities	(704)	(13,886)
Cash flows from financing activities:		
Proceeds from stock offering, net of issuance expenses		13,935
Borrowing on revolving term credit facilities excluding payment related to stock offering	1,047	3,102
Stock offering proceeds used to reduce revolving term credit facilities		(10,443)
New borrowing term loan		15,000

Stock offering proceeds used to pay down term loan		(3,492)
Net borrowings (repayments) on working capital facilities	1,053	(2,005)
Shares repurchased for income tax withholding on share-based compensation	(6)	
New borrowings notes payable	677	809
Note payments	(963)	(809)
Proceeds from capital leases	942	827
Payments on capital lease obligations	(1,053)	(817)
Net cash provided by financing activities	1,697	16,107
Net (decrease) increase in cash and cash equivalents	(751)	1,103
Effect of exchange rate change on cash	(406)	86
Cash and cash equivalents at the beginning of the year	6,091	1,889
Cash and cash equivalents at end of period	$ 4,934	$ 3,078

The accompanying notes are an integral part of these financial statements

Table of Contents

MANITEX INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(In thousands, except share and per share data)

Note 1. Nature of Operations

The Company is a leading provider of engineered lifting solutions. The Company operates in two business segments: the Lifting Equipment segment and the Equipment Distribution segment.

Lifting Equipment Segment

The Company is a leading provider of engineered lifting solutions. The Company designs, manufactures and distributes a diverse group of products that serve different functions and are used in a variety of industries. Through its Manitex, Inc. subsidiary it 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.

Manitex Liftking ULC (Manitex Liftking or Liftking) sells a complete line of rough terrain forklifts, a line of stand-up electric forklifts, cushioned tired 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. Manitex Liftking s rough terrain forklifts are used in both commercial and military applications. Specialty mission oriented vehicles and specialized carriers are designed and built to meet the Company s unique customer needs and requirements. The Company s specialized lifting equipment has met the particular needs of customers in various industries that include utility, ship building and steel mill industries.

Manitex Load King, Inc. (Load King) manufactures specialized custom trailers and hauling systems typically used for transporting heavy equipment. Load King trailers serve niche markets in the commercial construction, railroad, military, and equipment rental industries through a dealer network.

CVS Ferrari, srl (CVS) designs and manufactures a range of reach stackers and associated lifting equipment for the global container handling market, that are sold through a broad dealer network. On November 30, 2013, CVS acquired the assets of Valla SpA (Valla) located in Piacenza, Italy. Valla offers 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.

On August 19, 2013, Manitex Sabre, Inc. (Sabre) acquired the assets of Sabre Manufacturing, LLC, which is located in Knox, Indiana. 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 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.

Equipment Distribution Segment

The Equipment Distribution segment operates as Manitex Valla North America sales organization and is a distributor of Terex rough terrain and truck cranes, PM knuckle boom cranes and Manitex s products. The Equipment Distribution segment predominately sells its products to end users, including the rental market. Its products are used primarily for infrastructure development and commercial construction applications include road and bridge construction, general contracting, roofing, scrap handling and sign construction and maintenance. The Equipment Distribution segment supplies repair parts for a wide variety of medium to heavy duty construction equipment and sell both domestically and internationally. The segment also provides repair services in the Chicago area. The North American Equipment Exchange division, (NAEE), markets previously-owned construction and heavy equipment, domestically and internationally. This Division provides a wide range of used lifting and construction equipment of various ages and condition, and the Company has the capability to refurbish the equipment to the customers specification.

2. Basis of Presentation

The accompanying consolidated financial statements, included herein, have been prepared by the Company without audit pursuant to the rules and regulations of the United States Securities and Exchange Commission. Pursuant to these rules and regulations, certain information and footnote disclosures normally included in financial statements which are prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments (consisting only of normal recurring accruals, except as otherwise disclosed) necessary for a fair presentation of the Company s financial position as of September 30, 2014, and results of its operations and cash flows for the periods presented. The consolidated balances as of December 31, 2013 were derived from audited financial statements but do not include all disclosures required by generally accepted accounting principles. The accompanying consolidated financial statements have been prepared in accordance with accounting standards for interim financial statements and should be read in conjunction with the Company s audited consolidated financial statements and the notes thereto for the year ended December 31, 2013. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K/A for the year ended December 31, 2013. The results of operations for the interim periods are not necessarily indicative of the results of operations expected for the year.

Sabre and Valla have been included in the Company s financial results from their respective date of acquisition which are August 19, 2013 and November 30, 2013, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amounts the Company s customers are invoiced and do not bear interest. Accounts Receivable is reduced by an allowance for amounts that may become uncollectible in the future. The Company s estimate for the allowance for doubtful accounts related to trade receivables includes evaluation of specific accounts where the Company has information that the customer may have an inability to meet its financial obligations. The Company had allowances for doubtful accounts of $433 and $333 at September 30, 2014 and December 31, 2013, respectively.

Inventory Valuation

Inventory consists of stock materials and equipment stated at the lower of cost (first in, first out) or market. All equipment classified as inventory is available for sale. The Company records excess and obsolete inventory reserves. The estimated reserve is based upon specific identification of excess or obsolete inventories. Selling, general and administrative expenses are expensed as incurred and are not capitalized as a component of inventory.

Foreign Currency Option

The Company has purchased call options which expire on December 15, 2014 to purchase 17,800 at 1.38/ Euro. The option was purchased to protect the Company against a strengthening of the Euro as the Company needs 17,800 to close the PM Group acquisition. The premium to purchase the option was $93 and is being charged to expense over the life of the option. As of September 30, 2014, approximately $58 has not been expensed.

Accrued Warranties

The Company establishes a reserve for future warranty expense at the point when revenue is recognized by the Company. The provision for estimated warranty claims, which is included in cost of sales, is based on a percentage of sales.

Revenue Recognition

For products shipped FOB destination, sales are recognized when the product reaches its FOB destination, or when the services are rendered, which represents the point when the risks and rewards of ownership are transferred to the customer. For products shipped FOB shipping point, revenue is recognized when the product is shipped, as this is the point when title and risk of loss pass from us to our customers. Under certain contracts with our customers title passes to the customers when the units are completed. The units are segregated from our inventory and identified as belonging to the customer, the customer is notified that the units are complete and wait pick up or delivery as specified by the customer before income is recognized. Additionally, the customer signs an Invoice Authorization

Form which authorizes us to invoice the unit per terms of the contract and acknowledges that the customer has economic ownership and control over the unit. The Company insures any custodial risk that it may retain.

Customers may be invoiced prior to the time customers take physical possession. Revenue is recognized in such cases only when the customer has a fixed commitment to purchase the units, the units have been completed, tested and made available to the customer for pickup or delivery, and the customer has authorized in writing that we hold the units for pickup or delivery at a time specified by the customer. In such cases, the units are invoiced under our customary billing terms, title to the units and risks of ownership pass to the customer upon invoicing, the units are segregated from our inventory and identified as belonging to the customer and we have no further obligations under the order.

Table of Contents

Litigation Claims

In determining whether liabilities should be recorded for pending litigation claims, the Company must assess the allegations and the likelihood that it will successfully defend itself. When the Company believes it is probable that it will not prevail in a particular matter, it will then make an estimate of the amount of liability based, in part, on the advice of outside legal counsel.

Income Taxes

The Company s provision for income taxes consists of U.S. and foreign taxes in amounts necessary to align the Company s year-to-date tax provision with the effective rate that the Company expects to achieve for the full year. Each quarter the Company updates its estimate of the annual effective tax rate and records cumulative adjustments as necessary. The effective tax rate is based upon the Company s anticipated earnings both in the U.S. and in foreign jurisdictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comprehensive Income

Reporting Comprehensive Income requires reporting and displaying comprehensive income and its components. Comprehensive income includes, in addition to net earnings, other items that are reported as direct adjustments to stockholder s equity. Currently, the comprehensive income adjustment required for the Company has two components. First is a foreign currency translation adjustment, the result of consolidating its foreign subsidiaries. The second component is a derivative instrument fair market value adjustment (net of income taxes) related to forward currency contracts designated as a cash flow hedge.

Business Combinations

The Company accounts for acquisitions in accordance with guidance found in ASC 805, Business Combinations. The guidance requires consideration given, including contingent consideration, assets acquired and liabilities assumed to be valued at their fair market values at the acquisition date. The guidance further provides that: (1) in-process research and development will be recorded at fair value as an indefinite-lived intangible asset; (2) acquisition costs will generally be expensed as incurred, (3) restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and (4) changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

ASC 805 requires that any excess of purchase price over fair value of assets acquired, including identifiable intangibles and liabilities assumed be recognized as goodwill. In accordance with ASC 805, any excess of fair value of acquired net assets, including identifiable intangibles assets, over the acquisition consideration results in a bargain purchase gain. Prior to recording a gain, the acquiring entity must reassess whether all acquired assets and assumed liabilities have been identified and recognized and perform re-measurements to verify that the consideration paid, assets acquired and liabilities assumed have been properly valued.

Sabre and Valla results are included in the Company s results from their respective dates of acquisition of August 19, 2013 and November 30, 2013.

Reclassification

Certain reclassifications have been made to the prior year s consolidated financial statements to conform to the current year s presentation.

3. Acquisitions

<u>Valla Asset Purchase</u>

On November 30, 2013, CVS Ferrari Srl. (the Purchaser or CVS), an Italian corporation and a wholly owned subsidiary of the Company completed an Asset Purchase Agreement with Valla SpA (the Seller), an Italian based developer of precision pick and carry cranes to acquire substantially all of the Seller s operating assets and business operations, including the Seller s accounts receivable, inventory and equipment. Valla develops precision pick and carry cranes with lifting capacities from 2 to 90 tons using electric, diesel and hybrid power options. Its cranes offer wheeled or tracked, fixed or swing boom configurations, with special applications designed specifically to meet the needs of its customers.

Table of Contents

The consideration for the Purchase consisted of a note payable to Seller for $170 (the Note) with principal payments of $85 on December 31, 2015 and 2016 and annual interest of 5% and contingent consideration of up to $1,000. The fair value of the purchase consideration was as follows:

	Fair Value Euros	Fair Value U.S. Dollars
Seller note	143	$ 198
Contingent consideration	183	250
Total purchase consideration	326	$ 448

Seller Note. In connection with the acquisition, the Company issued a note with a stated interest rate of 5% in the amount of $170 payable to the sellers. The note is payable in two installments of $85 payable on December 31, 2015 and 2016.

The fair value of the promissory note is $198 and was calculated to be to equal the present value of future debt payments discounted at a market rate of return commensurate with similar debt instruments with comparable levels of risk and marketability. A rate of 1.5% was determined to be the appropriate rate following an assessment of the risk inherent in the debt issued and the market rate for debt of this nature using corporate credit ratings. The $28 difference between face amount of the promissory note and its fair value is being amortized over the life of the note and is a reduction of interest expense.

Contingent Consideration. In accordance with ASC 805, the acquirer is to recognize the acquisition date fair value of contingent consideration. The agreement has a contingent consideration provision which provides the seller to receive an annual payment equal to 10% of net income for the next eight years, with a maximum annual payment of $125. If 10% of a year s net income exceeds $125, the excess amounts will be carried over to future years. Any carryovers not paid out after eight years will be forfeited. The agreement has no provision for a carryback for excess earnings in a year. Given the disparity between the income threshold and the Company s projected financial results, it was determined that a Monte Carlo simulation analysis was appropriate to determine the fair value of contingent consideration. It was determined that the probability weighted average earn out payment is $250. Based thereon, we determined the fair value of the contingent consideration to be $250.

Under the acquisition method of accounting, in accordance ASC 805, Business Combinations, the assets acquired and liabilities assumed are valued based on their estimated fair values as of the date of the acquisition. The excess of the purchase price over the aggregate estimated fair value of net assets acquired was allocated to goodwill. The purchase price allocation is preliminary and is subject to final review. The following table summarizes the acquisition consideration to the fair value of the assets acquired and liabilities assumed at the date of acquisition: Under the acquisition method of accounting, in accordance ASC 805, Business Combinations, the assets acquired and liabilities assumed are valued based on their estimated fair values as of the date of the acquisition. The excess of the purchase price over the aggregate estimated fair value of net assets acquired was allocated to goodwill.

At December 31, 2013, it was stated that the purchase price allocation was preliminary and was subject to final review of certain receivable and deposit balances. During the quarter ended September 30, 2014, the purchase price allocation was adjusted and finalized. As a result, the accounts receivable decreased by $5, the seller note decreased by $30 and goodwill decreased by $25. The components of this adjustment are non-cash items and, therefore, are not included in the Statement of Cash Flows for the period ended September 30, 2014.

Additionally, the balance sheet at December 31, 2013 was restated to reflect the above changes toValla purchase price allocations as follows:

Account	Provisional amount recorded as of December 31, 2013	Adjustment based on final purchase price allocation	Revised amount recorded as of December 31, 2013
Accounts Receivable	$ 999	$ (5)	$ 994
Goodwill	2,434	(25)	2,409
Seller Note	228	(30)	198

Purchase price allocation

	Fair Value Euros	**Fair Value U.S. Dollars**
Accounts receivable	726	$ 994
Inventory	872	1,193
Prepaids	29	41
Property and equipment	155	212
Trade names and trademarks	400	547

Table of Contents

	Fair Value Euros	Fair Value U.S. Dollars
Unpatented technology	430	588
Customer relationships	200	273
Goodwill	1,762	2,409
Accounts payable	(1,944)	(2,658)
Working capital borrowings	(1,589)	(2,173)
Accrued expenses	(715)	(978)
	326	$ 448

Tangible assets and liabilities: The tangible assets and liabilities were valued at their respective carrying values by Valla, except for certain adjustments necessary to state such amounts at their estimated fair values at acquisition date. Fair market adjustments to fixed assets and inventory that were recorded were not significant.

Intangible assets: There are three fundamental methods applied to value intangible assets outlined in FASB ASC 820. These methods include the Cost Approach, the Market Approach, and the Income Approach. Each of these valuation approaches was considered in our estimation of value.

Trade names and trademarks and unpatented technology: Valued using the Relief from Royalty method, a form of both the Market Approach and the Income Approach. Because the Company has established trade names and trademarks and has developed unpatented technology, we estimated the benefit of ownership as the relief from the royalty expense that would need to be incurred in absence of ownership.

Customer relationships: Because there is a specific earnings stream that can be associated with customer relationships, we determined the discounted cash flow method was the most appropriate methodology for valuation.

Goodwill: Goodwill represents the excess of total consideration paid and the fair value of net assets acquired. The recognition of goodwill of $2,409 reflects the inherent value in the Valla reputation, which has been built since being founded in 1945 and the prospects for significant future earnings based on Valla s product line.

For income tax purposes, intangible assets and goodwill will be amortized and will result in future tax deductions.

Acquisition transaction costs: Cost and expenses related to the acquisition have been expensed as incurred and recorded in selling, general and administrative expenses. In connection with the Valla acquisition, the Company incurred legal and accounting fees of $42 and fees for valuation services of $15.

Sabre Asset Purchase

On August 19, 2013, Manitex Sabre, Inc. (the Purchaser or Sabre), a Michigan corporation and a wholly owned subsidiary of the Company, entered into a purchase agreement (the Purchase Agreement) with Sabre Manufacturing, LLC, (the Seller), a Knox, Indiana-based manufacturer of specialized tanks, to acquire substantially all of the Seller s operating assets and business operations, including the Seller s accounts receivable, inventory and equipment. Sabre tanks are used for above ground liquid and solid storage and containment solutions for a variety of end markets such as petrochemical, waste management and oil and gas drilling.

The fair value of the purchase consideration was $14,000 in total as shown below:

Cash	$ 13,000
87,928 shares of Manitex International, Inc. common stock	1,000
Total purchase consideration	$ 14,000

Manitex International Inc. stock. The fair value of the stock consideration was determined to be $1,000 at date of acquisition.

Table of Contents

Under the acquisition method of accounting, in accordance ASC 805, Business Combinations, the assets acquired and liabilities assumed are valued based on their estimated fair values as of the date of the acquisition. The excess of the purchase price over the aggregate estimated fair value of net assets acquired was allocated to goodwill.

At December 31, 2013, it was stated that the purchase price allocation was preliminary and was subject to final review of certain receivable and deposit balances. During the quarter ended March 31, 2014, the purchase price allocation was finalized. As a result, the receivable due from the seller decreased by $234, accrued expenses decreased by $86 and goodwill increased by $148. The components of this adjustment are non-cash items and, therefore, are not included in the Statement of Cash Flows for the period ended September 30, 2014.

Additionally, the balance sheet at December 31, 2013 was restated to reflect the above changes to Sabre purchase price allocations as follows:

Account	Provisional amount recorded as of December 31, 2013	Adjustment based on final purchase price allocation	Revised amount recorded as of December 31, 2013
Accounts Receivable due from seller	$ 467	$ (234)	$ 233
Goodwill	4,577	148	4,725
Accrued Expenses	226	(86)	140

The following table summarizes the allocation of the Sabre acquisition consideration to the fair value of the assets acquired and liabilities assumed at the date of acquisition:

Purchase price allocation:

Accounts receivable	$ 1,148
Receivable due from seller	233
Inventory	1,497
Total fixed assets	1,431
Non-competition agreements	50
Customer relationships	5,200
Trade name and trademarks	1,200
Goodwill	4,725
Accounts payable	(730)
Accrued expenses	(140)
Customer deposits	(467)
Debt and Capital lease obligations	(147)
Net assets acquired	$ 14,000

Tangible assets and liabilities: The tangible assets and liabilities were valued at their respective carrying values by Sabre, except for certain adjustments necessary to state such amounts at their estimated fair values at acquisition date. Fair market adjustments to fixed assets and inventory that were recorded were not significant.

Intangible assets: There are three fundamental methods applied to value intangible assets outlined in FASB ASC 820. These methods include the Cost Approach, the Market Approach, and the Income Approach. Each of these valuation approaches was considered in our estimation of value.

Trade names and trademarks and unpatented technology: Valued using the Relief from Royalty method, a form of both the Market Approach and the Income Approach. Because the Company has established trade names and trademarks and has developed unpatented technology, we estimated the benefit of ownership as the relief from the royalty expense that would need to be incurred in absence of ownership.

Customer relationships: Because there is a specific earnings stream that can be associated with customer relationships, we determined the discounted cash flow method was the most appropriate methodology for valuation.

Table of Contents

Goodwill: Goodwill represents the excess of total consideration paid and the fair value of net assets acquired. The recognition of goodwill of $4,725 reflects the inherent value in the Sabre reputation, which has been built since being founded in 2005 and the prospects for significant future earnings based on Sabre s past performance.

For income tax purposes, intangible assets and goodwill will be amortized and will result in future tax deductions.

Acquisition transaction costs: Cost and expenses related to the acquisition have been expensed as incurred and recorded in selling, general and administrative expenses. The Company incurred fees of $93 for legal services, $68 for accounting service in connection with the prior year audit of Sabre financial statements and $37 for valuation services.

The results of the acquired Sabre and Valla operations have been included in our consolidated statement of operations since their respective acquisition date. The results of Sabre and Valla also form part of the segment disclosures for the Lifting Equipment segment.

Pro forma information for Sabre and Valla

The following unaudited pro forma information assumes the acquisition of Sabre and Valla occurred on January 1, 2013. The unaudited pro forma results have been prepared for informational purposes only and do not purport to represent the results of operations that would have been had the acquisition occurred as of the date indicated, nor of future results of operations. The unaudited pro forma results for the three and nine months ended September 30, 2013 are as follows (in thousands, except per share data):

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
Net revenues	$	63,025	$	198,308
Net income	$	2,827	$	7,293
Income per share:				
Basic	$	0.22	$	0.36
Diluted	$	0.22	$	0.36
Weighted average common shares outstanding:				
Basic		12,400,266		12,382,516
Diluted		12,451,452		12,424,198

Table of Contents

Pro Forma Adjustment Note

Pro forma adjustments were made to give effect to the amortization of intangibles and capitalized bank fees related to term loans recorded as a result of the acquisitions, which would have resulted in $82 and $340 of additional expenses for the three and nine months ended September 30, 2013. Pro forma adjustments to record interest expense on term loans would have resulted in $76 and $354 of additional interest expense for the three and nine months ended September 30, 2013. Pro forma adjustments for the difference between historical depreciation and depreciation calculated using the fair market value of the fixed assets acquired and the current useful lives and to write off the fair market inventory adjustment related to beginning inventory as the beginning inventory has been sold resulted in decreases in expense of $81 and an increase in expense of $33 for the three and nine months ended September 30, 2013.

Pro forma adjustments for acquisition costs including accounting, legal and consulting fees would have resulted in a decrease in expense of $173 and an increase to expense of $70 for the three and nine months ended September 30, 2013. Pro forma adjustments were made to record the tax effect of the above entries. The effect of recording pro forma adjustments was to increase tax expense by $29 and for the three months ended and decrease tax expense by $226 for the nine months ended September 30, 2013.

Additionally, the Company recorded a provision for income taxes of $206 and $594 on Sabre earnings for the three and nine months ended September 30, 2013. Historically, Sabre did not record income taxes as it was a Sub Chapter S Corporation. Finally, the Company recorded a tax benefit of $143 and $320 for the three and nine months ended September 30, 2013 related to Valla operating loss.

A pro forma adjustment was made to increase both basic and diluted weighted average common shares outstanding for the three and nine months ended September 30, 2013 by 47,787 and 74,548, respectively. The increase reflects the shares issued in connection with the Sabre acquisition.

There are no pro forma adjustments for the three and nine months ended September 30, 2014.

4. Financial Instruments Forward Currency Exchange Contracts

The following tables set forth the company s financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2014 and December 31, 2013 by level within the fair value hierarchy. As required by ASC 820-10, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following is a summary of items that the Company measures at fair value on a recurring basis:

	Fair Value at September 30, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Forward currency exchange contracts	$	$ 178	$	$ 178
Liabilities:				
Forward currency exchange contracts	$	$ 20	$	$ 20
Valla contingent consideration (see Note 3)			250	250

Total current liabilities at fair value	$	$ 20	$ 250	$ 270

	Fair Value at December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Forward currency exchange contracts	$	$ 40	$	$ 40
Total current assets at fair value	$	$ 40	$	$ 40
Liabilities:				
Forward currency exchange contracts	$	$ 47	$	$ 47
Valla contingent consideration (see Note 3)			250	250
Total current liabilities at fair value	$	$ 47	$ 250	$ 297

Table of Contents

Fair Value Measurements

ASC 820-10 classifies the inputs used to measure fair value into the following hierarchy:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2	Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
Level 3	Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Fair value of the forward currency contracts are determined on the last day of each reporting period using observable inputs, which are supplied to the Company by the foreign currency trading operation of its bank and are Level 2 items.

5. Derivatives Financial Instruments

The Company s risk management objective is to use the most efficient and effective methods available to us to minimize, eliminate, reduce or transfer the risks which are associated with fluctuation of exchange rates between the Canadian and U.S. dollar and the Euro and the U.S. dollar.

When the Company s Canadian subsidiary receives a significant new U.S. dollar order, management will evaluate different options that may be available to mitigate future currency exchange risks. The decision to hedge future sales is not automatic and is decided case by case. The Company will only use hedge instruments to hedge firm existing sales orders and not estimated exposure, when management determines that exchange risks exceeds desired risk tolerance levels. The forward currency contracts used to hedge future sales are designated as cash flow hedges under ASC 815-10.

The Company enters into forward currency exchange contracts in relationship such that the exchange gains and losses on the assets and liabilities denominated in other than the reporting units functional currency would be offset by the changes in the market value of the forward currency exchange contracts it holds. The forward currency exchange contracts that the Company has to offset existing assets and liabilities denominated in other than the reporting units functional currency have been determined not to be considered a hedge under ASC 815-10. Items denominated in other than a reporting units functional currency includes U.S. denominated accounts receivables and accounts payable held by our Canadian subsidiary and intercompany receivables due from the Company s Canadian and Italian subsidiaries.

As required, forward currency contracts are recognized as an asset or liability at fair value on the Company s Consolidated Balance Sheet. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings (date of sale). Gains or losses on cash flow hedges when recognized into income are included in net revenues. Gains and losses on the derivative instruments representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. The Company expects minimal ineffectiveness as the Company has hedged only firm sales orders and has not hedged estimated exposures. For derivative instruments that are not designated and do not qualify as cash flow hedge, both realized and unrealized gains and losses related to these forward currency contracts are included in current earnings and are reflected in the Statement of Income in the other income expense section on the line titled foreign currency transaction gains (losses).

At September 30, 2014, the Company had entered into a forward currency exchange contract. The contract obligates the Company to buy approximately CDN $1,659. The contract matures on January 7, 2015. Under the contract, the Company will buy Canadian dollars between .8991 and .9241. The Canadian to US dollar exchange rates was $0.8929 at September 30, 2014. At September 30, 2014, the Company had forward currency contracts to sell 800 at 1.4261, 400 at 1.3635 and 100 at 1.3538 with contract maturity dates of July 2, 2015, February 10, 2015 and January 31, 2015, respectively. The Euro to US dollar exchange rate was 1.2628 at September 30, 2014. The unrealized currency exchange asset is reported under prepaid expense and other if it is an asset or under accrued expenses if it is a liability on the balance sheet.

As of September 30, 2014, the Company had no outstanding forward currency contracts that were in place to hedge future sales.

Table of Contents

As of September 30, 2014, the Company had the following forward currency contracts:

Nature of Derivative	Amount	Type
Forward currency contract	CDN$ 1,659	Not designated as hedge instrument
Forward currency contract	1,300	Not designated as hedge instrument

The following table provides the location and fair value amounts of derivative instruments that are reported in the Consolidated Balance Sheet as of September 30, 2014 and December 31, 2013:

Total derivatives NOT designated as a hedge instrument

	Balance Sheet Location	Fair Value September 30, 2014	Fair Value December 31, 2013
Asset Derivatives			
Foreign currency Exchange Contract	Prepaid expense and other	$ 178	$ 40
Liabilities Derivatives			
Foreign currency Exchange Contract	Accrued expense	$ (20)	$ 37

Total derivatives designated as a hedge instrument

	Balance Sheet Location	Fair Value September 30, 2014	Fair Value December 31, 2013
Liabilities Derivatives			
Foreign currency Exchange Contract	Accrued expense	$	$ 10

The following tables provide the effect of derivative instruments on the Consolidated Statements of Income for the three and nine months ended September 30, 2014 and 2013:

	Location of gain or (loss) recognized in Income Statement	Gain or (loss) Three months ended September 30, 2014	2013	Nine-months ended September 30, 2014	2013
Derivatives Not designated as Hedge Instrument					
Forward currency contracts	Foreign currency transaction gains (losses)	$ 98	$ (10)	$ 29	$ (133)

	Location of gain or (loss) recognized in Income Statement	Gain or (loss) Three months ended September 30, 2014	2013	Nine months ended September 30, 2014	2013
Derivatives designated as Hedge Instrument					
Forward currency contracts	Net revenue	$	$	$ (26)	$

Table of Contents

The following table shows changes in the balance of net gains (loss), net of taxes related to derivatives instruments that are included in accumulated other comprehensive income and related activity net of income taxes for the three and nine months ended September 30, 2014 and 2013:

	Three months ended September 30,